THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Optics Valley Union Holding Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

OVU

Optics Valley Union Holding Company Limited
光谷聯合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 798)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY;
(2) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
(3) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
(4) APPLICATION FOR WHITEWASH WAIVER BY CECH;
(5) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS;
(6) SPECIAL DEAL
AND
(7) NOTICE OF EGM

Financial adviser to the Company

LY CAPITAL LIMITED
絡繹資本有限公司

Independent Financial Adviser to the Listing Rules IBC, Code IBC and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

Letters from the Listing Rules IBC and the Code IBC to the Independent Shareholders is set out on pages 51 to 54 of this circular. A letter from Gram Capital containing its advice to the Listing Rules IBC, the Code IBC and the Independent Shareholders is set out on pages 55 to 88 of this circular.

A notice convening the EGM to be held at Unit 2902, 29th Floor, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong on Wednesday, 16 March 2016 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use by the Shareholders at the EGM (or any adjournment thereof) is enclosed with this circular. Such form of proxy is also published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.ovuni.com).

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

25 February 2016

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"5% Threshold"	the thresholds referred to in Rule 14A.34 of the Listing Rules
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI 3A"	AAA Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Business Day"	means a day (other than a Saturday, Sunday and Public Holiday) on which licensed banks are open for business in Hong Kong
"CEC"	China Electronics Corporation Limited* (中國電子信息產業集團有限公司), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of CECH
"CEC Beihai"	China Electronics Beihai Industrial Park Development Co., Ltd* (中國電子北海產業園發展有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of CEC Technology
"CEC Finance"	China Electronics Financial Co., Ltd* (中國電子財務有限責任公司), a company established under the laws of the PRC and a subsidiary of CEC, being its single largest shareholder directly holding approximately 42% of its equity capital with control over its remaining equity interest
"CEC Rida"	CEC Rida Property Management Co., Ltd* (北京中電瑞達物業有限公司), a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of CEC
"CEC Technology"	China Electronics Technology Development Co., Ltd* (中國電子科技開發有限公司), a company established under the laws of the PRC and a directly wholly-owned subsidiary of CECH as at the date of this circular
"CEC Technology Group"	CEC Technology and its subsidiaries

"CEC Xi'an"	China Electronics Xi'an Industrial Park Development Co., Ltd* (中國電子西安產業園發展有限公司), a company established under the laws of the PRC and a 73.91% directly-owned subsidiary of CEC Technology, which as at the date of this circular, none of the shareholders of the Company holds any equity interest therein
"CECH"	China Electronics Corporation Holdings Company Limited (中國電子集團控股有限公司*), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability
"CECH Group"	CECH and its subsidiaries
"CECH SGM"	the special general meeting of CECH to be held to approve the Equity Transfer and the CECH Subscription
"CECH Shareholders"	holders of CECH Shares
"CECH Shares"	shares of HK$0.01 each in the share capital of CECH
"CECH Subscription"	the subscription for the CECH Subscription Shares by CECH pursuant to the terms of the CECH Subscription Agreement
"CECH Subscription Agreement"	the subscription agreement dated 14 December 2015 and entered into between the Company and CECH in respect of the CECH Subscription
"CECH Subscription Completion"	the completion of CECH Subscription
"CECH Subscription Conditions"	the conditions precedent of the CECH Subscription
"CECH Subscription Share(s)"	1,491,469,917 new Shares to be subscribed for by CECH under the CECH Subscription
"CECM"	China Electronics Corporation Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CECH
"Charge Over Deposits"	the charge over deposits dated 16 July 2015 entered into by CECM in favour of Xiamen Bank in respect of the liabilities and obligations of CEC Technology in respect of the loans granted to it from Xiamen Bank from time to time

"China Everbright" or "Placing Agent"	China Everbright Securities (HK) Limited, a registered institution licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Code IBC"	an independent committee of the board of directors of the Company (comprising Mr. Zhang Jie, Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin) constituted, in compliance with the Takeovers Code, to approve the appointment of Gram Capital and to give a recommendation to the Independent Shareholders in connection with the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver and, in particular, as to whether the aforesaid transactions are fair and reasonable and as to voting
"Completion"	together, the Equity Transfer Completion, the CECH Subscription Completion and the Placing Completion
"Company"	Optics Valley Union Holding Company Limited (光谷聯合控股有限公司), a company incorporated in the Cayman Islands with limited liability
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration Price"	HK$0.8 per Consideration Share
"Consideration Share(s)"	1,058,530,083 new Shares to be issued by the Company to CECH upon the Equity Transfer Completion
"Directors"	the directors of the Company
"Disposals"	has the meaning as ascribed to it under the under the section headed "V. Implications under the Takeovers Code and application of Whitewash Waiver — Special deals" in this Letter
"EGM"	the extraordinary general meeting of the Company to be held to approve, among other things, the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate, the Non-exempt Continuing Connected Transactions and the Whitewash Waiver

"Energy Conservation Technology Park Co"	Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd.* (武漢光谷節能科技園有限公司), a limited liability company incorporated in the PRC and a 70% owned subsidiary of Wuhan OVU as at 31 December 2015
"Energy Conservation Technology Park Sale Debt"	the loan owed by Energy Conservation Technology Park Co to Wuhan OVU
"Energy Conservation Technology Park Sale Equity"	the equity interest of Energy Conservation Technology Park Co held by Wuhan OVU as at 31 December 2015, representing 70% of the entire equity interest in Energy Conservation Technology Park Co
"Enlarged Group"	the Group as enlarged by the acquisition of the entire equity interest of CEC Technology
"Entrusted Loans"	the entrusted loans in an aggregate outstanding principal amount of RMB1,195,320,000 (equivalent to approximately HK$1,466,337,200) provided by CECH to CEC Technology Group through CEC Finance as the lending agent as at the Latest Practicable Date
"Entrusted Loan Agreements"	the entrusted loan agreements entered into between CEC Finance and CEC Technology Group in relation to the Entrusted Loan(s)
"Equity Interest Transfer Agreement"	the equity interest transfer agreement dated 14 December 2015 entered into between the Company, CECH and HK 3A in respect of the Equity Transfer
"Equity Transfer"	the transfer of 100% of the equity interest in CEC Technology from CECH to HK 3A pursuant to the terms of the Equity Interest Transfer Agreement
"Equity Transfer Completion"	the completion of the Equity Transfer
"Equity Transfer Conditions"	the conditions precedent of the Equity Transfer
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Financial Harbour Co"	Wuhan Financial Harbour Development Co., Ltd.* (武漢金融港開發有限公司), a limited liability company incorporated in the PRC and a 70% owned subsidiary of Wuhan OVU as at 31 December 2015

"Financial Harbour Sale Debt"	the loan owed by Financial Harbour Co to Wuhan OVU
"Financial Harbour Sale Equity"	the equity interest of Financial Harbour Co held by Wuhan OVU as at 31 December 2015, representing 70% of the equity interest in Financial Harbour Co
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK 3A"	AAA Finance & Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hubei S&T"	Hubei Science & Technology Investment Group Co., Ltd.* (湖北省科技投資集團有限公司), a limited liability company incorporated in the PRC
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of Hong Kong Laws) and the independent financial adviser to advise, among others, the Code IBC, the Listing Rules IBC and the Independent Shareholders in connection with the Equity Transfer, the CECH Subscription, the Placing, the transactions contemplated under the Share Charge, the Specific Mandate, the Non-exempt Continuing Connected Transactions and the Whitewash Waiver and, in particular, as to whether the aforesaid transactions are fair and reasonable and as to voting
"Independent Shareholders"	shareholders of the Company other than those (and their respective associates and the parties acting in concert with them) who are involved or interested in the Equity Transfer, the CECH Subscription, the Placing and the Share Charge together with the transactions contemplated thereunder, the grant of the Specific Mandate, the Non-exempt Continuing Connected Transactions, the Whitewash Waiver and/or the Disposals (being special deals under the Takeovers Code)

"Joint Announcement"	the joint announcement dated 14 December 2015 issued by the Company and CECH regarding, among other things, the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Whitewash Waiver and certain continuing connected transactions of the Company
"Latest Practicable Date"	23 February 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Last Trading Day"	14 December 2015, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the Joint Announcement
"Letter"	the letter from the Board contained in this circular
"Listing Committee"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Listing Rules IBC"	an independent committee of the board of directors of the Company (Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin) constituted, in compliance with the Listing Rules, to give a recommendation to the Independent Shareholders in respect of the Equity Transfer and the Non-exempt Continuing Connected Transactions
"New Caps"	the new caps for the continuing connected transactions set out under the section headed "IV. Non-exempt Continuing Connected Transactions" in this Letter
"Non-exempt Continuing Connected Transactions"	being the non-exempt continuing connected transactions under the section headed "IV. Non-exempt Continuing Connected Transactions in this Letter
"Placees"	any individuals, corporate, institutional investors or other investors, whom China Everbright has procured to subscribe for any of the Placing Shares
"Placing"	the placing of 1,450,000,000 new Shares, on a fully underwritten basis, pursuant to the terms of the Placing Agreement

"Placing Agreement"	the placing agreement dated 14 December 2015 and entered into between the Company and China Everbright
"Placing Completion"	the completion of the Placing
"Placing Conditions"	the conditions precedent of the Placing
"Placing Price"	HK$0.8 per Placing Share
"Placing Share(s)"	1,450,000,000 new Shares to be issued by the Company pursuant to the terms of the Placing Agreement
"PRC"	the People's Republic of China
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares or a person who controls the exercise of the voting power at any general meeting of the Company
"Share Charge"	a deed of share charge to be entered into by BVI 3A in favour of CECM upon the Equity Transfer Completion pursuant to which the Company shall charge 375,118 shares of HK 3A, representing approximately 31.51% of the issued share capital of HK 3A to CECM in respect of the Charge Over Deposits and the Entrusted Loans, the transactions contemplated thereunder will constitute a special deal for the Company under Rule 25 of the Takeovers Code
"Specific Mandate"	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares upon the Equity Transfer Completion, the CECH Subscription Shares upon the CECH Subscription Completion and the Placing Shares upon the Placing Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscription Price"	HK$0.8 per CECH Subscription Share
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC
"Technology Investment HK"	Hubei Science & Technology Investment Group (Hong Kong) Company Limited (湖北省科技投資集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 11 July 2013. It is a wholly-owned subsidiary of Hubei S&T and a substantial shareholder of the Company and the purchaser in respect of the Disposals
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on Dispensations to Rule 26 of the Takeovers Code in respect of the obligation of CECH to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by CECH or parties acting in concert with it which would, if the Equity Transfer Completion and the CECH Subscription proceed, otherwise arise as a result of the allotment and issue of the Consideration Shares upon the Equity Transfer Completion and the CECH Subscription Shares upon the CECH Subscription Completion to CECH
"Wuhan OVU"	Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司, formerly known as 武漢光谷聯合股份有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"Xiamen Bank"	Xiamen International Bank Co., Ltd.
"Xiamen Loans"	loans in credit limit under the Xiamen Loan Agreement
"Xiamen Loan Agreement"	the facility agreement (綜合授信額度合同) dated 14 July 2015 entered into between Xiamen Bank and CEC Technology (as supplemented on 25 September 2015)
"%"	per cent.

In this circular, if there is any inconsistency between the Chinese names of the PRC entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The translation of company names marked with "" is for identification purposes only.*

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 = HK$1.21 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.

Optics Valley Union Holding Company Limited
光 谷 聯 合 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 798)

Executive Directors:
Mr. Huang Liping
Mr. Hu Bin
Ms. Chen Huifen

Non-executive Directors:
Mr. Lu Jun
Ms. Shu Chunping
Mr. Zhang Jie

Independent Non-executive Directors:
Mr. Qi Min
Mr. Leung Man Kit
Ms. Zhang Shuqin

Registered Office:
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Headquarters and Principal Place of Business in the PRC:
Block D, Exhibition Centre
1 Guanshan Avenue
Optical Valley Software Park
Donghu New Technology Development Zone
Wuhan, Hubei, PRC

Principal Place of Business in Hong Kong:
Unit 2902, 29th Floor
China Insurance Group Building
No. 141 Des Voeux Road
Central, Hong Kong

Hong Kong, 25 February 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY;
(2) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
(3) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
(4) APPLICATION FOR WHITEWASH WAIVER BY CECH;
(5) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS;
(6) SPECIAL DEAL;
AND
(7) NOTICE OF EGM

Reference is made to the announcements of the Company dated 16 October 2015, 13 November 2015, 23 November 2015 and 4 January 2016, respectively, and the Joint Announcement in relation to, among other things, the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Whitewash Waiver and the Non-exempt Continuing Connected Transactions.

The purpose of this circular is to provide Shareholders with, among other things, (i) details of the Equity Transfer, the CECH Subscription, the Placing and the Share Charge; (ii) details of the application for the Whitewash Waiver; (iii) details of the Specific Mandate; (iv) further details of CEC Technology Group; (v) details of the Non-exempt Continuing Connected Transactions; (vi) letters of advice from the Code IBC and the Listing Rules IBC to the Independent Shareholders; (vii) a letter of advice from Gram Capital to the Code IBC and the Listing Rules IBC and the Independent Shareholders; and (viii) a notice of the EGM.

I. THE EQUITY INTEREST TRANSFER AGREEMENT

On 14 December 2015 (after trading hours), CECH (as vendor) entered into the Equity Interest Transfer Agreement with the Company and HK 3A (an indirect wholly-owned subsidiary of the Company) (as purchasers). Set out below are the principal terms of the Equity Interest Transfer Agreement:

Date: 14 December 2015 (after trading hours)

Vendor: CECH

Purchasers: the Company and HK 3A

Assets to be transferred

Pursuant to the Equity Interest Transfer Agreement, CECH has conditionally agreed to sell, and the Company and HK 3A have conditionally agreed to acquire, 100% of the equity interest in CEC Technology. Details of CEC Technology Group are set out in the section headed "VI. Information on CEC Technology Group" below.

As at the Latest Practicable Date, CEC Technology was a wholly-owned subsidiary of CECH. Upon the Equity Transfer Completion, CEC Technology will cease to be a subsidiary of CECH and will become an indirect wholly-owned subsidiary of the Company.

Consideration for the Equity Transfer

Pursuant to the Equity Interest Transfer Agreement, the consideration for the Equity Transfer is RMB699,854,600 (equivalent to approximately HK$846 million), which shall be satisfied by the allotment and issue of the Consideration Shares, credited as fully paid, at the Consideration Price of HK$0.8 per Consideration Share.

The Consideration Shares represent (i) approximately 26.5% of the issued share capital of the Company of 4,000,000,000 Shares as at the Latest Practicable Date; and (ii) approximately 13.2% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares.

The Consideration Shares will be issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares.

Basis of determination of consideration

The consideration of the Equity Transfer was agreed between the Company and CECH after arm's length negotiations on normal commercial terms with reference to, among other things, (i) the unaudited consolidated net asset value of CEC Technology Group as at 30 June 2015; (ii) the valuation of the relevant property interests held by CEC Technology Group conducted by an independent qualified valuer; (iii) the current operations of CEC Technology Group; and (iv) the business prospects of CEC Technology Group.

The following table sets out the relevant property interests held by CEC Technology Group for sale/investment in the PRC:

Property	**Interest held by CEC Technology Group**
Retail and residential units of Qingfen Ju, Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	40%
Office buildings in Lot B, Hainan RSC, Chengmai County, Hainan Province, the PRC	40%
Incubation building in Lot A, Hainan RSC, Chengmai County, Hainan Province, the PRC	40%
CEC Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	100%
Level 15, CEC Building, No. 6 Zhongguancun Nandajie, Haidian District, Beijing, the PRC	100%

The following table sets out the relevant property interests held by CEC Technology Group for development in the PRC:

Property	Interest held by CEC Technology Group
Mingyue Ju, south of Boyuan Road and Ruifeng Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	40%
Portion of Lot A located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%
Lot C located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%
A site located at northeast of Yingbin Road and Haipin Erheng Road, Yingbin Peninsula, Hainan Province, the PRC	40%
A proposed residential and retail development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%
A proposed retail development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%
A proposed residential and industrial development in Plot G, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%
Portion of Lot B located at north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%
Portion of Lot B located at south of Boyuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%

Property	**Interest held by CEC Technology Group**
A site of Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	100%
A proposed residential development located at the northeast of the junction of Nanzhu Avenue and Taiwan Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	28.9%
Block 1 to 5 of Phase 1 of China Electronic Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	73.91%
Block 9 of Phase 2 of China Electronic Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	73.91%
The remain vacant land of China Electronic Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	73.91%
A site located at South of 700m from Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	40%

Based on the Valuation Report, in valuing the properties held for sale/investment, the Valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. The Valuer has also valued the properties by the investment approach by capitalising the rental derived from the existing tenancies with due provision for the reversionary rental potential of the properties. In valuing the properties held for development, the Valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market, the Valuer has also taken into account the expended construction costs.

According to the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix IV to this circular, the net assets value of the Target Group before the Proposed Acquisition was RMB215,228,000. The Directors estimated the fair value adjustments to the identifiable assets as at 30 November 2015 to be RMB700,053,000. Related deferred tax liabilities of RMB180,375,000 arose from the fair value surplus on the property, plant and equipment, properties under development, land use rights and investment in joint ventures and associates. After the above effect, the total fair value of identifiable net assets of the Target Group is estimated to be RMB734,906,000. The Directors (excluding the members of the Code IBC and the Listing Rules IBC whose views are set out in the letters from the Listing Rules IBC and the Code IBC which form part of this circular) consider that the consideration of RMB699,854,600 (equivalent to approximately HK$846 million) and the terms of the Equity Transfer are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Charge Over Deposits, the Entrusted Loans and the Share Charge

On 16 July 2015, CECM, an indirect wholly-owned subsidiary of CECH, has entered into the Charge Over Deposits, pursuant to which CECM has provided security by way of bank deposits in favour of Xiamen Bank for the interest-bearing loans granted to CEC Technology up to a maximum amount of RMB1.0 billion (equivalent to approximately HK$1.2 billion). As at the Latest Practicable Date, the entire outstanding amount due from CEC Technology to Xiamen Bank has been repaid and the Charge Over Deposits has accordingly been terminated.

As at the Latest Practicable Date, CECH had provided the Entrusted Loans in the aggregate principal amount of RMB1,195,320,000 (equivalent to approximately HK$1,446,337,200) to CEC Technology Group with CEC Finance acting as the lending agent. The Entrusted Loans bore interest at the rate of 7% per annum as at the Latest Practicable Date, and shall be repaid by CEC Technology Group from October 2016 to December 2016.

The aggregate outstanding amount of borrowings under the Entrusted Loans will be not more than RMB1.2 billion (equivalent to approximately HK$1.5 billion) upon the Equity Transfer Completion.

Upon the Equity Transfer Completion, CEC Technology will become an indirect wholly-owned subsidiary of the Company and CECH will cease to hold any direct equity interest in CEC Technology. Pursuant to the Equity Interest Transfer Agreement, CECH Group will continue to provide such financial assistance in the form of the Entrusted Loans granted to CEC Technology Group for a period of up to 1 year after the Completion or 31 December 2016 (whichever is earlier) at a maximum aggregate amount of RMB1.2 billion (equivalent to approximately HK$1.5 billion). All the terms of the Entrusted Loans will remain the same. Accordingly, the provision of the Entrusted Loans will constitute provision of financial assistance by CECH Group to CEC Technology Group under Chapter 14 of the Listing Rules.

In consideration of CECH Group continuing to provide the Entrusted Loans in favour of CEC Technology Group after the Equity Transfer Completion, the Group shall (i) pay an interest in respect of the outstanding amount of loans drawn down by CEC Technology Group under the Entrusted Loans to CECH Group at the rate of 7% per annum on the outstanding amount of such loans as from the date of the Equity Transfer Completion, and (ii) procure BVI 3A, a wholly-owned subsidiary of the Company, to enter into the Share Charge in favour of CECM, pursuant to which BVI 3A will charge 375,118 shares of HK 3A (representing approximately 31.51% of the issued share capital of HK 3A as at the Latest Practicable Date) in favour of CECM. The interest rate of 7% per annum is determined based on CECH's internal borrowing costs. In addition, in considering the value of the charged HK 3A shares, reference was made to, among other things, the average closing price of Shares over the 20 Business Days immediately preceding the date of the Equity Interest Transfer Agreement with a 40% discount times the number of Shares in issue upon Completion (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares) times the percentage of the said share capital of HK 3A being charged under the Share Charge, which shall not be less than RMB1.2 billion (equivalent to approximately HK$1.5 billion). The Share Charge was arrived at after arm's length negotiations between the Company and CECH. As at the Latest Practicable Date, the Company, an investment holding company, indirectly owned all HK 3A shares through BVI 3A and HK 3A in turn held, both directly and indirectly, the majority of the business and assets of the Group.

Conditions precedent to the Equity Transfer Completion

The Equity Transfer Completion is conditional upon, among other things, the following Equity Transfer Conditions:

(a) CECH having obtained the Whitewash Waiver from the Executive and all conditions incidental to the Whitewash Waiver having been fulfilled;

(b) the CECH Shareholders having approved (i) the Equity Interest Transfer Agreement and the transactions contemplated thereunder; and (ii) the CECH Subscription Agreement and the transactions contemplated thereunder by way of resolutions at the CECH SGM;

(c) the necessary approval procedures in the PRC with regard to the Equity Transfer pursuant to the laws and regulations of the PRC having been completed;

(d) CEC Technology having applied for the industrial and commercial registration for the Equity Transfer and having received the acceptance notification from the relevant department under the State Administration for Industry and Commerce of the PRC;

(e) the representations and warranties given by the Company and CECH respectively being true, accurate, complete and non-misleading with no material omissions in all aspects on and before the Equity Transfer Completion;

(f) there having been no material adverse change in CEC Technology Group or the Group from 30 June 2015 to the Equity Transfer Completion;

(g) the Independent Shareholders having approved, among other things, the Equity Interest Transfer Agreement and the transactions contemplated thereunder, the CECH Subscription Agreement and the transactions contemplated thereunder, the

Placing Agreement and the transactions contemplated thereunder, the Share Charge and the transactions contemplated thereunder together with the Non-exempt Continuing Connected Transactions at the EGM;

(h) the Independent Shareholders having approved the Whitewash Waiver;

(i) the Company having obtained the approval from the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in the Consideration Shares, the CECH Subscription Shares and the Placing Shares;

(j) the Company having obtained the consent of the Executive in relation to the Share Charge and the transactions contemplated thereunder as a special deal under Rule 25 of the Takeovers Code; and

(k) all the CECH Subscription Conditions and the Placing Conditions having been satisfied or waived (where applicable).

Neither the Company, CECH nor HK 3A shall have the right to waive the conditions set out in paragraphs (a), (b), (g), (h), (i) and (j) above.

If the Equity Transfer Conditions have not been fulfilled or waived (other than (a), (b), (g), (h), (i) and (j) above) on or before the expiry of six months after the date of the Equity Interest Transfer Agreement (or such later date as the parties may agree in writing), then the Equity Interest Transfer Agreement shall terminate automatically (other than in respect of certain provisions having the effect of surviving the termination). In such event, neither party shall have any claim under the Equity Interest Transfer Agreement of any nature whatsoever against the other party except in respect of any rights and liabilities which have accrued before termination or under certain provisions having the effect of surviving the termination.

As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

Ranking of the Consideration Shares

The Consideration Shares, when allotted and issued, shall rank equally in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

Compensation

CECH shall compensate the Company for actual losses suffered (including but not limited to expenses, depreciations and debts, other than losses caused by normal commercial risks) by the Company or CEC Technology Group after the Equity Transfer Completion if such losses are caused by circumstances pre-existing the Equity Transfer Completion.

Equity Transfer Completion

Each of the Equity Transfer, the CECH Subscription and the Placing is inter-conditional on each other. The Equity Transfer Completion shall take place simultaneously with the CECH Subscription Completion and the Placing Completion on the seventh Business Day after the satisfaction or waiver (where applicable) of all of the Equity Transfer Conditions, the CECH Subscription Conditions and the Placing Conditions or at such other time or date as the parties may agree.

As at the Latest Practicable Date, CEC Technology was a wholly-owned subsidiary of CECH. Upon the Equity Transfer Completion, CEC Technology will cease to be a subsidiary of CECH and will become an indirect wholly-owned subsidiary of HK 3A, a wholly-owned subsidiary of the Company.

FINANCIAL EFFECTS OF THE EQUITY TRANSFER

Set out in Appendix IV to this circular is the Unaudited Pro Forma Financial Information of the Enlarged Group which illustrates the financial impact of the Equity Transfer on the assets and liabilities of the Enlarged Group, assuming that the Equity Transfer Completion having been taken place on 30 June 2015.

Upon Equity Transfer Completion, CEC Technology will be accounted for as a wholly-owned subsidiary of the Group and its results, assets and liabilities will be consolidated into the consolidated financial statements of the Group. According to the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix IV to this circular, assuming the Equity Transfer Completion having taken place on 30 June 2015, net assets attributed to the Group will increase by approximately RMB734,906,000. The total assets of the Group would increase by approximately RMB2,428,979,000 and the total liabilities of the Group would increase by approximately RMB1,694,073,000.. As set out in the accountant's report of CEC Technology in Appendix II-A of this circular, the revenue and profit were approximately RMB8,866,000 and RMB59,800,000 for the eleven months ended 30 November 2015, respectively. After Completion, the newly generated revenue and profits of the Target Group will be consolidated in the Group's consolidated financial statements.

In light of the potential future prospects offered by the Equity Transfer as stated in the section headed "Reasons for and benefits of the Equity Transfer and the CECH Subscription" below, the Directors are of the view that the Equity Transfer will likely contribute positively to the Group.

Further details of the financial effect of the Equity Transfer on the assets and liabilities of the Group together with the bases in preparing the Unaudited Pro Forma Financial Information are set out in Appendix IV to this circular.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Interest Transfer Agreement is more than 25% but less than 100%, the transactions contemplated under the Equity Transfer together constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, upon the Completion, CECH will be interested in 2,550,000,000 Shares, representing approximately 31.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares. CECH will therefore become a controlling shareholder of the Company. Accordingly, the Equity Transfer also constitutes a connected transaction for the Company under Rule 14A.28 of the Listing Rules and will accordingly be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. THE CECH SUBSCRIPTION AGREEMENT

Date: 14 December 2015 (after trading hours)

The Parties

Issuer: the Company

Subscriber: CECH

CECH Subscription Shares

The Company and CECH entered into the CECH Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and CECH has conditionally agreed to subscribe in cash, the CECH Subscription Shares, credited as fully paid, at the Subscription Price of HK$0.8 per CECH Subscription Share.

The CECH Subscription Shares represent (i) approximately 37.3% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 18.6% of the issued share capital of the Company as enlarged by the allotment and issue of the CECH Subscription Shares, the Consideration Shares and the Placing Shares.

The CECH Subscription Shares will be issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the CECH Subscription Shares.

Subscription Price

The Subscription Price represents:

(i) a discount of approximately 15.8% to the closing price of HK$0.95 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 13.0% to the average closing price of HK$0.92 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 14.9% to the average closing price of HK$0.94 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 16.7% to the average closing price of HK$0.96 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 1.2% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange on the last trading day before the release of the respective announcements dated 16 October 2015 of the Company and CECH made pursuant to Rule 3.7 of the Takeovers Code;

(vi) a discount of 4.8% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a premium of approximately 1.3% to the unaudited consolidated net asset value per Share as at 30 June 2015 of approximately HK$0.79.

The Subscription Price was arrived at after arm's length negotiations between the Company and CECH, with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Company. In particular, it was arrived based on the average trading price of the shares of the Company from the period 23 October 2015 to 16 November 2015. As set out in the interim report of the Company for the six months ended 30 June 2015, the Company recorded a turnover of RMB427,974,000 and net profit attributable to equity shareholders of RMB117,942,000, representing a decrease of 22.7% and 9.7%, respectively as compared with the same period in 2014. Nevertheless, the Company expected its financial performance would be improved in the second half of 2015 since it was expected that the central government of the PRC would increase its support to the macro-economy.

The Directors (excluding the members of the Code IBC whose views are set out in the letter from the Code IBC which forms part of this circular) consider that the Subscription Price and the terms of the CECH Subscription Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Conditions precedent to the CECH Subscription Completion

The CECH Subscription Completion is conditional upon, among other things, the following CECH Subscription Conditions:

(a) the Executive having granted the Whitewash Waiver;

(b) all conditions incidental to the Whitewash Waiver having been fulfilled;

(c) the following having been obtained from the Independent Shareholders at the EGM:

(i) the approval of the Specific Mandate to allot and issue the CECH Subscription Shares, the Placing Shares and the Consideration Shares pursuant to the requirements under the Listing Rules;

(ii) the approval of the CECH Subscription Agreement and the transactions contemplated thereunder;

(iii) the approval of the Whitewash Waiver pursuant to the Takeovers Code;

(iv) the approval of the transactions contemplated under the Equity Interest Transfer Agreement and the Non-exempt Continuing Connected Transactions; and

(v) the approval of the transactions contemplated under the Placing Agreement;

(d) the Company having obtained the approval from the Stock Exchange for the listing of and permission to deal in the CECH Subscription Shares, the Placing Shares and the Consideration Shares, and the relevant approval not having been revoked prior to the CECH Subscription Completion;

(e) the Company having obtained all essential and necessary letters of consent and authorization from any governmental or regulatory authority in regards to the execution and completion of the transactions contemplated under the CECH Subscription Agreement, which shall remain in full force and effect pursuant to the provisions of any law or rule in any relevant jurisdiction; and

(f) all the Equity Transfer Conditions and the Placing Conditions having been satisfied or waived (where applicable).

If the CECH Subscription Conditions have not been fulfilled or waived on or before the expiry of six months after the date of the CECH Subscription Agreement (or such later date as the parties may agree in writing), then the CECH Subscription Agreement shall terminate automatically (other than in respect of certain provisions having the effect of surviving the termination). In such event, none of the parties shall have any claim under the CECH

Subscription Agreement of any nature whatsoever against the other party except in respect of any rights and liabilities which have accrued before termination or under certain provisions having the effect of surviving the termination.

As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

Nomination of Directors

Subject to and upon the Completion, CECH shall be entitled to nominate two Directors to the Board for so long as CECH holds more than 30% of the issued share capital of the Company. As confirmed with CECH, such Directors to be nominated by CECH upon Completion pursuant to the Subscription Agreement are not holders of the Shares and are not interested in any Shares of the Company.

Pursuant to the CECH Subscription Agreement, the appointment of such Directors shall be subject to the articles of association of the Company and the Listing Rules, and that it is also subject to the approval of the nomination committee and the remuneration committee of the Board. In addition, it was expressly set out in the CECH Subscription Agreement that the Directors nominated by CECH shall be subject to re-election at the annual general meeting of the Company.

CECH's abovementioned right to nominate Directors to the Board is a term of the investment arrived at after arm's length negotiations between the Company and CECH. Further, given that:

(a) the proposed appointment of the Directors nominated by CECH is subject to the relevant requirements imposed under the Listing Rules and the Takeover Code (including without limitation those required under Rules 3.08 and 3.09 of the Listing Rules and Rule 26.4 of the Takeovers Code);

(b) the appointment procedures in respect of the Directors nominated by CECH will be in line with the relevant nomination and appointment procedures adopted by the Company; and

(c) the Directors nominated by CECH is subject to the retirement by rotation and re-election at the annual general meeting of the Company and the shareholders of the Company are, pursuant to the articles of association of the Company, entitled to remove any Director (including the Director nominated by CECH) by way of ordinary resolutions,

the Company considers that the Directors nominated by CECH would possess the appropriate experience in the business operated by the Company which is in the interests of the Company and its Shareholders as a whole, and that CECH's right to nominate Directors does not constitute a special right granted to CECH and all Shareholders of the Company are treated fairly and equally.

Further announcement(s) in respect of the change of Directors of the Board will be made by the Company should the CECH Subscription proceed to completion.

Ranking of the CECH Subscription Shares

The CECH Subscription Shares, when allotted and issued, shall rank equally in all respects with Shares in issue on the date of allotment and issue of the CECH Subscription Shares.

CECH Subscription Completion

Each of the Equity Transfer, the CECH Subscription and the Placing is inter-conditional on each other. The CECH Subscription Completion shall take place simultaneously with the Equity Transfer Completion and the Placing Completion on the seventh Business Day after the satisfaction or waiver (where applicable) of all the Equity Transfer Conditions, the CECH Subscription Conditions and the Placing Conditions or at such other time or date as the parties may agree.

Upon the Completion, CECH will be interested in approximately 31.9% of the issued share capital of the Company (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares and on the assumption that no further Shares will be issued or repurchased prior to the Completion).

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AND THE CECH SUBSCRIPTION

The Group is currently principally engaged in the development and operation of large-scale business parks with distinctive industry themes located in eight cities in Hubei, Shandong and other provinces in the PRC; whereas the principal business activities of CEC Technology Group are the development and management of industrial parks in the PRC including Hainan, Shaanxi and Guangxi Provinces each of which provides a platform for industry players to develop electronic information technology businesses.

Both of the Group and CEC Technology are engaged in the development and management of business parks and having merely the same traditional business model in terms of investment, development and sales. However, in respect of the product lines, the Group has an extendable product series for the whole business cycle including (i) superb incubation platform, the OVU Maker Star (OVU創客星), which represents the products and services provided to venture enterprises by the Group. The customers of such products and services are mainly technology focused venture enterprises with a few key technical personnel only. OVU Maker Star consists of relatively small offices and provides corporate services including corporate finance and marketing, venture guidelines, equity financing and other services; (ii) OVU Science and Technology City (光谷聯合科技城), which targets at small and medium-sized customers in the light processing manufacturing industry. Most of such customers are engaged in emerging strategic businesses such as equipment manufacturing, new energy, energy conservation and environmental protection. OVU Science and Technology City primarily comprises factory buildings of one to four stories and multi-storey office premises for research and development; (iii) Financial Harbour (金融港), which provides financial services outsourcing to customers. Large and medium sized financial institutions such as banks, securities companies and insurance companies, as well as upstream and downstream enterprises in the chain of financial industry, are the clients who normally engage these services. Financial Harbour primarily comprises multi-storey office premises and high-rise buildings; and (iv) Software Park (軟件園), which comprises high-density industry office premises for headquarters of large corporations. CEC Technology positions its business parks for electronics information and software services and to provide production and office premises for enterprises.

In respect of the scale of development, the Group currently owns over 10 business parks in 7 cities, namely Wuhan, Qingdao, Hefei, Shenyang, Huangshi, Huanggang and Ezhou, consisting of 4.8 million square metres of completed properties, 1 million square metres of area under construction and 6.29 million square metres of land reserve, whereas CEC Technology currently has 270,000 square metres of completed properties, 580,000 square metres of area under construction and approximately 930,000 square metres of land reserve for the properties pending development.

In terms of development strategy and targeted cities, the Group positions itself as an outstanding comprehensive services provider of themed business parks in PRC. Under the premise of steady development, the Group pursue for capturing market share, acquiring resources and expanding the influences to a greater extent, whereas CEC Technology focuses on the development of information technology-oriented industrial parks. Both of the Group and CEC Technology target at cities and regions with high market demand and significant advantage of resources.

To the cooperation with CECH in the development of business parks in the future, the Group will relocate staff to station in CEC Technology to assist projects in Xi'an, Beihai and Hainan. After thorough and in-depth analysis, the Group will work closely with the management team of CECH to formulate detailed management, marketing and promotion as well as operation plans for the Enlarged Group. The Group believes that the rich experience of the management team of CECH will bring in advantages to the Enlarged Group.

The Directors (excluding the members of the Code IBC and the Listing Rules IBC whose views are set out in the letters from the Listing Rules IBC and the Code IBC which form part of this circular) consider that the acquisition of CEC Technology Group would enable the Company to expand its business into new geographical areas of Hainan, Shaanxi and Guangxi Provinces in the PRC. Further, the size of the industrial parks being developed by CEC Technology Group are comparable to those developed by the Group and hence, the Equity Transfer is expected to strengthen and consolidate the Group's portfolio, thereby enhancing the Company's position as a leading large-scale business parks developer. In addition, insofar as the Company is aware, certain phases of the industrial parks developed by the CEC

Technology Group are expected to be completed for sale in 2016. The Directors (excluding the members of the Code IBC and the Listing Rules IBC whose views are set out in the letters from the Listing Rules IBC and the Code IBC which form part of this circular) consider that with the gradual completion of the relevant construction of such industrial parks, CEC Technology Group would be able to contribute to the future growth of the Group.

Following the Equity Transfer and the CECH Subscription, CECH will become a controlling shareholder of the Company. The Directors (in respect of the Equity Transfer, excluding the members of the Code IBC and the Listing Rules IBC whose views are set out in the letters from the Listing Rules IBC and the Code IBC which form part of this circular, and, in respect of the CECH Subscription, excluding the members of the Code IBC whose views are set out in the letter from the Code IBC which forms part of this circular) consider that the Equity Transfer and the CECH Subscription will not only allow the Company to expand its shareholder base, but also represent a good opportunity for the Company to explore and pursue cooperation with CECH, in particular in respect of the development and operation of business parks, which will be beneficial to the development and expansion of the Group's business.

Further, the net proceeds from the CECH Subscription are estimated to amount to approximately HK$1,184 million. The Company intends to use as to approximately 76% of the net proceeds for the development of the business of CEC Technology, approximately 14% for the business development of the Group and the balance of approximately 10% as general working capital of the Group. The Directors (excluding the members of the Code IBC whose views are set out in the letter from the Code IBC which forms part of this circular) consider that the CECH Subscription would strengthen the Group's cash position without incurring additional interest burden and is therefore an effective manner to raise additional capital for the Group.

The following table sets out the Group's intended usage of net proceeds from the CECH Subscription:

Development of the business of CEC Technology

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Beihai Industrial Park	Land reserve and for development and construction	To leverage on the "One Belt, One Road" development strategy of the PRC government and the advantages on China Electronics Corporation's industry platform as well as the Group's operation capability on industry parks after re-organization to proactively foster the construction of the Beihai Industrial Park	244
New projects in Wenzhou	Land reserve and for development and construction	To expand land reserve upon the basic completion of the development of existing projects of CEC Technology; and to leverage on the Group's operation capability on industry parks after re-organization with the resource advantages of CECH to undergo project development and construction	500
		Subtotal	744

Business development of the Group

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Qingdao OVU International Marine Information Harbour	Project construction	To accelerate project constructions and become available-for-sale	87
Ezhou OVU Science and Technology City	Project construction	To accelerate project constructions and become available-for-sale	50
		Subtotal	137

General working capital

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Employee benefit	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	10
Administrative expense	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	15
Promotion and others	Brand promotion for the Group and advertisement and promotion for all projects in sale	To expand brand influence and accelerate the sales	73
		Subtotal	98
		Total	979

In view of the above, the Directors (excluding the members of the Code IBC and the Listing Rules IBC (as the case may be) whose views are set out in the letters from the Listing Rules IBC and the Code IBC which form part of this circular) consider that the terms and conditions of the Equity Interest Transfer Agreement and the CECH Subscription Agreement are on normal commercial terms or better, and are fair and reasonable and are in the interests of the Company and its shareholders as a whole. Insofar as the Company is aware, it is the intention of CECH to continue the existing business of the Group following the Completion and that CECH has no intention to introduce any major changes to the business (including any redeployment of the fixed assets of the Group) or terminate the employment of the existing employees of the Group and CECH is optimistic about the prospect of the existing business of the Group and considers that the acquiring of interest in the Company is commercially justifiable.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST 12 MONTHS

The Company had not carried out any equity fund raising activities during the 12 months immediately preceding the date of this circular.

III. THE PLACING AGREEMENT

Date: 14 December 2015 (after trading hours)

The Parties

Issuer: the Company

Placing agent: China Everbright

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Everbright and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

Placees

It is expected that there shall not be less than six Placees. Such Placees shall be independent of and not connected with nor acting in concert with any of the Directors, chief executive or substantial shareholders of each of the Company or its subsidiaries, or CECH or its subsidiaries, or their respective associates or the parties acting in concert with them. It is expected that none of the Placees will become a substantial shareholder of the Company immediately after completion of the Placing.

Number of Placing Shares

China Everbright has conditionally agreed to place, on a fully underwritten basis, a total of 1,450,000,000 Placing Shares (failing which China Everbright would subscribe for the untaken Placing Shares) to not less than six Placees at the Placing Price.

The Placing Shares represent (i) approximately 36.3% of the issued share capital of the Company as at the date of this circular; and (ii) approximately 18.1% of the issued share capital of the Company as enlarged by the allotment and issue of the CECH Subscription Shares, the Consideration Shares and the Placing Shares.

The Placing Shares will be issued under Specific Mandate to be approved by the Independent Shareholders at the EGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Placing Price

The Placing Price represents:

(i) a discount of approximately 15.8% to the closing price of HK$0.95 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 13.0% to the average closing price of HK$0.92 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 14.9% to the average closing price of HK$0.94 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 16.7% to the average closing price of HK$0.96 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day;

(v) a discount of 4.8% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 1.3% to the unaudited consolidated net asset value per Share of approximately HK$0.79 as at 30 June 2015.

The Placing Price has been negotiated and arrived at on an arm's length basis with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Company. In particular, it was arrived based on the average trading price of the shares of the Company from the period 23 October 2015 to 16 November 2015. As set out in the interim report of the Company for the six months ended 30 June 2015, the Company recorded a turnover of RMB427,974,000 and net profit attributable to equity shareholders of RMB117,942,000, representing a decrease of 22.7% and 9.7%, respectively as compared with the same period in 2014. Nevertheless, the Company expected its financial performance would be improved in the second half of 2015 since it was expected that the central government of the PRC would increase its support to the macro-economy. The Directors (excluding the members of the Code IBC whose views are set out in the letter from the Code IBC which forms part of this circular) consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Placing commission

China Everbright will receive a placing commission of 1% of the aggregate Placing Price for the Placing Shares successfully placed or subscribed by China Everbright on behalf of the Company pursuant to the terms of the Placing Agreement. Such placing commission was arrived at after arm's length negotiations between the Company and China Everbright under normal commercial terms and with reference to the prevailing market condition.

Conditions precedent of the Placing

Completion of the Placing is conditional upon, among other things, the following Placing Conditions:

(a) the Company having obtained all necessary approvals from its independent shareholders at the EGM in respect of the Placing in accordance with the Listing Rules requirements;

(b) the Listing Committee of the Stock Exchange having granted an approval for the listing of, and permission to deal in, all the Placing Shares; and

(c) the conditions precedent (excluding any conditions precedent therein requiring the Placing Agreement to be unconditional) of the Equity Interest Transfer Agreement and the CECH Subscription Agreement having been fulfilled (or waived pursuant to the terms therein).

None of the above Placing Conditions can be waived.

If the Placing Conditions have not been fulfilled on or before the expiring of six months after the date of the Placing Agreement (or such later date as the parties may agree in writing), then the Placing Agreement shall terminate automatically (other than in respect of certain provisions having the effect of surviving termination). In such event, none of the parties shall have any claim under the Placing Agreement of any nature whatsoever against the other party except in respect of any rights and liabilities which have accrued before termination or under certain provisions having the effect of surviving the termination.

As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

Completion of the Placing

Each of the Equity Transfer, the CECH Subscription and the Placing is inter-conditional on each other. The Placing Completion shall take place simultaneously with the Equity Transfer Completion and the CECH Subscription Completion on the seventh Business Day after the satisfaction or waiver of all of the Equity Transfer Conditions, the CECH Subscription Conditions and the Placing Conditions or at such other time or date as the parties may agree.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, shall rank equally in all respects with the Shares in issue on the date of such allotment and issue.

REASONS FOR AND BENEFITS OF THE PLACING

The net proceeds from the Placing are estimated to amount to approximately HK$1,148 million. The Company intends to use as to approximately 90% of the net proceeds for the future development of the Group's business and the balance of approximately 10% as general working capital of the Group. The Directors (excluding the members of the Code IBC whose views are set out in the letter from the Code IBC which forms part of this circular) consider that the Placing would strengthen the Group's cash position without incurring additional interest burden and is therefore an effective manner to raise additional capital for the Group. The Placing will also provide an opportunity for the Company to broaden its shareholder base.

The following table sets out the Group's intended usage of net proceeds from the Placing:

Future development of the Group's business

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Establishment of the OVU Fund	OVU Fund is the platform for the Group to create OVU Ecosphere with its capital	To assist the Group to obtain the capability to undergo informationization of the Group's entire industry chain in the future	100
Creative Capital	Project construction	To accelerate project constructions and become available-for-sale	200
Qingdao Innocenter	Project construction	To accelerate project constructions and become available-for-sale	60
Qingdao Marine & Science Park	Project construction	To accelerate project constructions and become available-for-sale	194
Hefei Financial Harbour	Project construction	To accelerate project constructions and become available-for-sale	300
		Subtotal	854

General working capital

	Purposes/Intention	Benefits	Funding *(RMB million)*
Employee benefit	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	60
Administrative expense	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	35
		Subtotal	95
		Total	949

In light of the above, the Directors (excluding the members of the Code IBC whose views are set out in the letter from the Code IBC which forms part of this circular) are of the opinion that the terms of the Placing Agreement, including but not limited to the Placing Price, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IV. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed "I. The Equity Interest Transfer Agreement — The Charge Over Deposits, the Entrusted Loans and the Share Charge" in this Letter.

Upon the Completion, CEC Technology will become an indirect wholly-owned subsidiary of the Company and CECH will become a substantial shareholder of the Company. Accordingly, the arrangements in respect of the Entrusted Loans will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Completion.

The terms of the Entrusted Loans will remain the same following the Completion. In particular, following the Completion, the rates of the interest and handling fees payable by the relevant members of the CEC Technology Group pursuant to the Entrusted Loans will remain the same.

The principal terms of the Entrusted Loans are as follow:

Entrusted Loan Agreements

As disclosed in the Joint Announcement, the following entrusted loan agreements were in existence prior to the entering into of the Equity Interest Transfer Agreement at the Subscription Agreement:

(i) *Entrusted loan agreement of CEC Beihai in respect of an outstanding principal amount of RMB90 million (equivalent to approximately HK$109 million)*

Date: 29 October 2015 (as supplemented by a confirmation letter dated 27 November 2015)

Parties:

(1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Beihai (as borrower), a wholly-owned subsidiary of CEC Technology

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Beihai through CEC Finance was RMB100 million (equivalent to approximately HK$121 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Beihai to CECH under this Entrusted Loan Agreement amounted to RMB90 million (equivalent to approximately HK$109 million).

Term

The term for the entrusted loan commenced on 29 October 2015 and will end on 29 October 2016.

Interest rate

As confirmed by the confirmation letter mentioned above, the interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Beihai shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

(ii) *Entrusted loan agreement of CEC Beihai in respect of an outstanding principal amount of RMB110 million (equivalent to approximately HK$133 million)*

Date: 10 November 2015 (as supplemented by a confirmation letter dated 27 November 2015)

Parties:

(1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Beihai (as borrower), a wholly-owned subsidiary of CEC Technology

Amount of the Entrusted Loan

The aggregate principal amount of the entrusted loan provided by CECH to CEC Beihai through CEC Finance is RMB110 million (equivalent to approximately HK$133 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Beihai to CECH under this Entrusted Loan Agreement amounted to RMB110 million (equivalent to approximately HK$133 million).

Term

The term for the entrusted loan commenced on 10 November 2015 and will end on 10 November 2016.

Interest rate

As confirmed by the confirmation letter mentioned above, the interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties and by reference to other similar transactions in the market.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Beihai shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

(iii) *Entrusted loan agreement of CEC Xi'an in respect of an outstanding principal amount of RMB140 million (equivalent to approximately HK$169 million)*

Date: 10 November 2015 (as supplemented by a confirmation letter dated 27 November 2015)

Parties:

(1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Xi'an (as borrower), a 73.91% owned subsidiary of CEC Technology

Amount of the entrusted loan

The aggregate principal amount of the entrusted loan provided by CECH to CEC Xi'an through CEC Finance is RMB140 million (equivalent to approximately HK$169 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Xi'an to CECH amounted to RMB140 million (equivalent to approximately HK$169 million).

Term

The term for the entrusted loan commenced on 10 November 2015 and will end on 10 November 2016.

Interest rate

As confirmed by the confirmation letter mentioned above, the interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties and by reference to other similar transactions in the market.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Xi'an shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

Subsequent to the entering into of the Equity Interest Transfer Agreement and the Subscription Agreement, the Company was informed by CECH that, with the entire outstanding amount due from CEC Technology to Xiamen Bank under the Xiamen Loan Agreement having been repaid and the Charge Over Deposits having been terminated, the following additional entrusted loan agreements were entered into between CECH Group and CEC Technology Group:

(iv) *Entrusted loan agreement of CEC Xi'an in respect of an outstanding principal amount of RMB10 million (equivalent to approximately HK$12.1 million)*

Date: 18 December 2015

Parties:

(1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Xi'an (as borrower), a 73.91% owned subsidiary of CEC Technology, and as at the date of this circular, none of the shareholders of the Company holds any equity interest therein

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Xi'an through CEC Finance was RMB10 million (equivalent to approximately HK$12.1 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Xi'an to CECH under this Entrusted Loan Agreement amounted to RMB10 million (equivalent to approximately HK$12.1 million).

Term

The term for the entrusted loan commenced on 18 December 2015 and will end on 18 December 2016.

Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Xi'an shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

(v) *Entrusted loan agreement of CEC Technology in respect of an outstanding principal amount of RMB90 million (equivalent to approximately HK$108.9 million)*

Date: 19 January 2016

Parties:
(1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Technology (as borrower)

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB90 million (equivalent to approximately HK$108.9 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Technology to CECH under this Entrusted Loan Agreement amounted to RMB90 million (equivalent to approximately HK$108.9 million).

Term

The term for the entrusted loan commenced on 19 January 2016 and will end on 19 December 2016.

Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Technology shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

(vi) *Entrusted loan agreement of CEC Technology in respect of an outstanding principal amount of RMB148.96 million (equivalent to approximately HK$180.24 million)*

Date: 27 January 2016

Parties: (1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Technology (as borrower)

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB148.96 million (equivalent to approximately HK$180.24 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Technology to CECH under this Entrusted Loan Agreement amounted to RMB148.96 million (equivalent to approximately HK$180.24 million).

Term

The term for the entrusted loan commenced on 27 January 2016 and will end on 27 December 2016.

Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Technology shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

(vii) *Entrusted loan agreement of CEC Technology in respect of an outstanding principal amount of RMB268.54 million (equivalent to approximately HK$324.93 million)*

Date: 3 February 2016

Parties:
(1) CECH (as lender)
(2) CEC Finance (as lending agent); and
(3) CEC Technology (as borrower)

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB268.54 million (equivalent to approximately HK$324.93 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Technology to CECH under this Entrusted Loan Agreement amounted to RMB268.54 million (equivalent to approximately HK$324.93 million).

Term

The term for the entrusted loan commenced on 15 February 2016 and will end on 28 December 2016.

Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CECH shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

(viii) *Entrusted loan agreement of CEC Technology in respect of an outstanding principal amount of RMB168.91 million (equivalent to approximately HK$204.38 million)*

Date: 17 February 2016

Parties:
(1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Technology (as borrower)

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB168.91 million (equivalent to approximately HK$204.38 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Technology to CECH under this Entrusted Loan Agreement amounted to RMB168.91 million (equivalent to approximately HK$204.38 million).

Term

The term for the entrusted loan commenced on 17 February 2016 and will end on 28 December 2016.

Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CECH shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

(ix) *Entrusted loan agreement of CEC Technology in respect of an outstanding principal amount of RMB168.91 million (equivalent to approximately HK$204.38 million)*

Date: 19 February 2016

Parties:

(1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Technology (as borrower)

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB168.91 million (equivalent to approximately HK$204.38 million).

As at the Latest Practicable Date, the outstanding principal amount due by CEC Technology to CECH under this Entrusted Loan Agreement amounted to RMB168.91 million (equivalent to approximately HK$204.38 million).

Term

The term for the entrusted loan commenced on 19 February 2016 and will end on 28 December 2016.

Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Agreement is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CECH shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

CECH has undertaken that it shall be responsible for the above mentioned handling fees under the Entrusted Loan Agreements under paragraphs (i) to (vi) above as from 21 December 2015. As set out in the section headed "I. The Equity Interest Transfer Agreement — The Charge Over Deposits, the Entrusted Loans and the Share Charge" in this Letter, BVI 3A shall enter into the Share Charge upon the Equity Transfer Completion in respect of the Entrusted Loans.

As mentioned above, the total outstanding amount of the borrowings under the Entrusted Loans due by CEC Technology Group to CECH Group will be not more than RMB1.2 billion (equivalent to approximately HK$1.5 billion) upon the Equity Transfer Completion. According to the Equity Interest Transfer Agreement, CECH Group will continue to provide the said financial assistance in the form of the Entrusted Loans granted to CEC Technology Group for a period of up to 1 year after the Completion or 31 December 2016 (whichever is earlier) at a maximum amount of RMB1.2 billion (equivalent to approximately HK$1.5 billion).

In consideration of CECH Group continuing to provide the said financial assistance in favour of CEC Technology Group after the Equity Transfer Completion, as at the date of the Equity Transfer Completion, the Group shall (i) pay an interest in respect of the outstanding loan amount drawn down by CEC Technology Group under the Entrusted Loans to CECH Group at the rate of 7% per annum on the outstanding amount of such loans as from the date of the Equity Transfer Completion, and (ii) procure BVI 3A, a wholly-owned subsidiary of the Company, to enter into the Share Charge in favour of CECM, pursuant to which BVI 3A will charge 375,118 shares of HK 3A (representing approximately 31.51% of the issued share capital of HK 3A as at the date of this circular) in favour of CECM. The interest rate of 7% per annum is determined based on CECH's internal borrowing costs. In addition, in considering the value of the charged HK 3A shares, reference is made to, among other things, the average closing price of Shares for the 20 Business Days immediately preceding the date of the Equity Interest Transfer Agreement with a 40% discount times the number of Share in issue upon Completion (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares) times the percentage of the said share capital of HK 3A being charged under the Share Charge, which shall be not less than RMB1.2 billion (equivalent to approximately HK$1.5 billion). Accordingly, RMB1.2 billion (equivalent to approximately HK$1.5 billion) has been set as the annual cap for the continuing connected transactions year ending 31 December 2016.

As the New Cap for the above continuing connected transactions for the year ending 31 December 2016 exceeds the 5% Threshold, they constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules, and the approval of the Independent Shareholders. No shareholder of the Company will be required to abstain from voting at the shareholders' meeting in relation to the resolution to be proposed in respect of such New Cap and the said continuing connected transactions.

REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Prior to the Completion, CEC Technology Group has conducted the Non-exempt Continuing Connected Transactions with the associates of CECH and the Company shall take up the Non-exempt Continuing Connected Transactions after the Completion. Hence, the Directors (excluding the members of the Listing Rules IBC in respect of the Non-exempt Continuing Connected Transactions whose views are set out in the letter from the Listing Rules IBC which forms part of this circular), consider it to be beneficial to the Company to continue to conduct the Non-exempt Continuing Connected Transactions in order to ensure and maximise operating efficiency and stability of the operations of the CEC Technology Group. Further, the Directors (excluding the members of the Listing Rules IBC in respect of the Non-exempt Continuing Connected Transactions whose views are set out in the letter from the Listing Rules IBC which forms part of this circular) consider that the interest rate of 7% per annum in respect of the Entrusted Loans are below the prevailing interest rate for loans of a similar nature.

The Directors (excluding the members of the Listing Rules IBC in respect of the Non-exempt Continuing Connected Transactions whose views are set out in the letter from the Listing Rules IBC which forms part of this circular) considers that the Non-exempt Continuing Connected Transactions had been subject to arm's length negotiation between the CEC Technology Group and the relevant parties, and had been entered into by the CEC Technology Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to Group than those available to or from (as appropriate) independent third parties.

The Directors (excluding the members of the Listing Rules IBC in respect of the Non-exempt Continuing Connected Transactions whose views are set out in the letter from the Listing Rules IBC which forms part of this circular) are of the view that the Non-exempt Continuing Connected Transactions, and the relevant proposed New Caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

V. IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Immediately after the Completion, CECH will be interested in 2,550,000,000 Shares, representing approximately 63.8% of the issued share capital of the Company as at the date of this circular and approximately 31.9% of the issued share capital of the Company (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares and on the assumption that no further Shares will be issued or repurchased prior to the Completion). Under Rule 26.1 of the Takeovers Code, CECH would be obliged to make a mandatory general offer to the shareholders of the Company for all the issued Shares and other relevant securities of the Company not already owned or agreed to be acquired by CECH and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. CECH has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of its acquisition of the Consideration Shares and the CECH Subscription Shares.

Accordingly, the Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. **If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement will not become unconditional and the Equity Transfer, the CECH Subscription, the Placing and the Share Charge will not proceed.**

As at the Latest Practicable Date, save for the Equity Transfer and the CECH Subscription:

(i) CECH and parties acting in concert with it did not hold, control or have direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(ii) CECH and parties acting in concert with it had not secured any irrevocable commitment from any Independent Shareholders to vote in favour of or against the resolutions approving the transactions contemplated under the Equity Transfer, the CECH Subscription, the Placing, the Share Charge and/or the Whitewash Waiver;

(iii) CECH and parties acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iv) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or CECH, which might be material to the Equity Transfer, the CECH Subscription, the Placing, the Share Charge and/or the Whitewash Waiver; and

(v) there was no agreement or arrangement to which CECH or any party acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Equity Transfer, the CECH Subscription, the Placing, the Share Charge and/or the Whitewash Waiver.

Except for the entering into of the Equity Interest Transfer Agreement and the CECH Subscription Agreement, none of CECH and parties acting in concert with it has acquired any voting rights in the Company or has dealt in any Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the announcement dated 16 October 2015 pursuant to Rule 3.7 of the Takeovers Code and up to and including the date of this circular. CECH and parties acting in concert with it will not acquire or dispose of any voting rights of the Company after the date of this circular and until the Completion.

SPECIAL DEALS

Reference is made to the announcement of the Company dated 17 November 2015 in respect of the disposal of the Financial Harbour Sale Equity together with the Financial Harbour Sale Debt and the Energy Conservation Technology Park Sale Equity together with the Energy Conservation Technology Park Sale Debt by Wuhan OVU, a subsidiary of the Company, to Hubei S&T. Such disposals constitute special deals under Note 4 of Rule 25 of the Takeovers Code (the "**Disposals**"), which requires, among other things, the consent of the Executive. On 15 January 2016, the Executive had conditionally granted its consent to the Disposals subject to the Disposals being approved by the relevant independent Shareholders voting by way of poll at the EGM. The relevant independent Shareholders has approved the Disposals on 16 January 2016 and the condition to the Disposals imposed by the Executive was duly fulfilled. Please refer to the announcement of the Company dated 17 November 2015, the circular dated 31 December 2015 issued by the Company and the poll results announcement of the Company dated 17 January 2016 for details concerning the Disposals (being special deals under the Takeovers Code).

Since the charge of 375,118 shares of HK3A in favour of CECM, a wholly-owned subsidiary of CECH, pursuant to the terms of the Share Charge is not capable of being extended to all the shareholders of the Company and that CECH will become a shareholder of the Company upon Completion, the transaction contemplated under the Share Charge also constitutes a special deal under Rule 25 of the Takeovers Code, which requires, amongst other things, the consent of the Executive. The Company will make an application to the Executive for the consent to proceed with the transactions contemplated under the Share Charge. The Executive will normally grant consent to a special deal provided that (i) Gram Capital publicly stating that in its opinion, the terms of the Share Charge are fair and reasonable; and (ii) the approval of the Independent Shareholders voting by way of poll at the EGM.

VI. INFORMATION ON CEC TECHNOLOGY GROUP

CEC Technology Group was acquired by CECH from CEC in June 2014 at a consideration of RMB600 million. As at the date of this circular, CEC Technology is wholly-owned by CECH. The principal business activities of CEC Technology Group are the development and management of industrial parks in the PRC which provides a platform for industry players to develop electronic information technology businesses. The major electronic information technology industrial parks operation of CEC Technology Group comprises:

1. Hainan Resort Software Community (海南生態軟件園) ("**Hainan RSC**"), which is wholly-owned, developed and managed by Hainan Resort Software Community Investment and Development Co., Ltd* (海南生態軟件園投資發展有限公司), an associate company of CEC Technology. Hainan RSC is situated in Hainan, with a planned total site area of 3,000 mu, of which approximately 1,790 mu of land had already been acquired, and application will be made to the government for the purchase of the remaining approximately 1,210 mu. The park targets at enterprises engaging in software research, software outsourcing and information technology training, as well as call centres and internet media.

2. CEC Xi'an Industrial Park (中國電子西安產業園) ("**Xi'an Industrial Park**"), which is wholly-owned, developed and managed by CEC Xi'an, a subsidiary of CEC Technology. Xi'an Industrial Park is situated in Xi'an and occupies a site area of 470 mu, of which 202 mu of land has already been acquired, and application for the purchase of the rest from the government is in progress. The park targets at enterprises engaging in producer and consumer information services industries such as cloud computing services, integrated circuit design, software research and development, information services, information security and electronic commerce.

3. CEC Beihai Industrial Park (中國電子北海產業園) ("**Beihai Industrial Park**"), which is wholly-owned, developed and managed by CEC Beihai, a subsidiary of CEC Technology. Beihai Industrial Park is situated in Beihai, Guangxi. The park targets at manufacturers of computers and computer storage, as well as enterprises engaging in software research and services, and the production of key parts of LCD monitors and A/D power.

Based on the financial information of CEC Technology Group prepared in accordance with International Financial Reporting Standards, the unaudited consolidated net assets of CEC Technology Group was RMB177,206,000 (equivalent to approximately HK$214,419,000) as at 30 June 2015. Set out below are the unaudited consolidated financial information of CEC Technology Group for each of the two financial years ended 31 December 2013 and 31 December 2014 and for the six months ended 30 June 2015, respectively:

	For the year ended 31 December 2013	**For the year ended 31 December 2014**	**For the six months ended 30 June 2015**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	77,762	(12,159)	24,696
Profit/(loss) after taxation	53,182	(15,184)	21,778

To comply with the Listing Rules, the Company has engaged DTZ Debenham Tie Leung Limited to value the property interests of the CEC Technology Group. Details of the property valuation report are set out in Appendix V of this circular. The reconciliation of the net book value and the valuation is set out below:

	RMB'000
Net book value of the property interest held by CEC Technology Group as at 30 November 2015	699,219
Valuation Surplus	106,413
Valuation of Property interest of CEC Xi'an attributable to non-controlling interests	(89,228)
Valuation of Property interest of CEC Technology Group as at 30 November 2015	716,404
Valuation of Property interest of Hainan RSC attributable to CEC Technology as at 30 November 2015	1,022,393
Valuation of Property interest of Guangxi Future Land attributable to CEC Technology as at 30 November 2015	147,338
Valuation of property interests held by CEC Technology Group as at 30 November 2015 as set out in the property valuation report in Appendix V of this circular	1,886,135

For the purposes of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group (as contained in Appendix IV of this circular), the Company has engaged DTZ Debenham Tie Leung Limited to prepare a valuation of the assets and liabilities of CEC Technology Group (the "**Business Valuation**"). Pursuant to the Business Valuation, the net asset value of the CEC Technology Group (excluding the non-controlling interests) as at 30 November 2015 was approximately RMB699 million, being comparable to the consideration of the Equity Transfer, which was determined on the basis set out in the section headed "I. The Equity Interest Transfer Agreement" (which did not include the Business Valuation) and is fair and reasonable and in the interests of the Company and its Shareholders as a whole. The market value of the properties taken into account in the Business Valuation was equal to the fair value of the properties set out in the property valuation report contained in Appendix V to this circular. The Business Valuation was merely prepared, after the entering into of the Equity Interest Transfer Agreement, for the purpose of preparing the abovementioned unaudited pro forma financial information of the Enlarged Group and thus the Board did not take into consideration the Business Valuation in determining the consideration for the Equity Transfer.

VII. INFORMATION ON CECH

CECH is an investment holding company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of CECH Group are the design and sale of integrated circuit chips, and the development and management of electronic information technology industrial parks. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CECH and its ultimate beneficial owners were independent third parties of the Company and its connected persons as at the Latest Practicable Date.

VIII. INFORMATION ON THE COMPANY

The Company is engaged primarily in the development and operation of large-scale business parks with distinctive industry themes located in Hubei and Shandong provinces, the PRC.

IX. CHANGES TO THE SHAREHOLDING IN THE COMPANY AS A RESULT OF THE ISSUE OF THE CONSIDERATION SHARES, THE CECH SUBSCRIPTION SHARES AND THE PLACING SHARES

Shareholders	**As at the Latest Practicable Date**		**Upon the Completion (assuming that no new Shares will be issued or repurchased by the Company prior to the Completion)**	
	Number of shares	*Approximate percentage*	*Number of shares*	*Approximate percentage*
Substantial shareholders				
Hubei S&T *(Note 1)*	479,910,000	12.0	479,910,000	6.0
CECH and parties acting in concert with it	—	0.0	2,550,000,000	31.9
Directors				
Huang Liping *(Notes 2 and 3)*	2,079,460,089	52.0	2,079,460,089	26.0
Hu Bin *(Notes 2 and 4)*	70,320,000	1.7	70,320,000	0.9
Chen Huifen *(Notes 2 and 4)*	10,950,000	0.3	10,950,000	0.1
Public shareholders				
The Placees	—	0.0	1,450,000,000	18.1
Other public shareholders *(Note 5)*	1,408,121,911	35.20	1,408,121,911	17.6
Sub-total of the public shareholders	1,408,121,911	35.20	2,858,121,911	35.7
Total	4,000,000,000	100.0	8,000,000,000	100.0

Notes:

1. As Technology Investment HK, being a wholly-owned subsidiary of Hubei S&T, has a material interest in the Disposals (being special deals under the Takeovers Code), Technology Investment HK is not an Independent Shareholder and it will abstain from voting on all the ordinary resolutions to be proposed at the EGM.

2. As Mr. Huang Liping, Mr. Hu Bin and Ms. Chen Huifen, being executive Directors of the Company, were involved in the transactions contemplated in this circular, they will abstain from voting on all the ordinary resolutions to be proposed at the EGM.

3. Mr. Huang Liping holds 100% equity interests in each of HK 3A and Lidao Investment Limited. Under the SFO, Mr. Huang Liping is deemed to be interested in the 1,787,700,000 Shares held by HK 3A and 120,000,000 Shares held by Lidao Investment Limited. Mr. Huang Liping is also the sole shareholder of Hengxin Global (PTC) Limited. Under the SFO, Mr. Huang Liping is also deemed to be interested in the 171,760,089 Shares held by Hengxin Global (PTC) Limited.

4. Mr. Hu Bin and Ms. Chen Huifen are beneficial owners of 28,128,000 and 4,380,000 Shares respectively and beneficiaries of 42,192,000 and 6,570,000 Shares, respectively, of a trust established pursuant to a trust deed dated 13 September 2013 with Hengxin Global (PTC) Limited as trustee.

5. The number of Shares held by public shareholders was arrived at after deducting (i) the 479,910,000 Shares held by Technology Investment HK, a substantial shareholder of the Company, and (ii) 2,111,968,089 Shares, being the aggregate number of Shares held or deemed interested in by the Directors, from the total number of issued Shares of the Company.

X. INDEPENDENT BOARD COMMITTEES

Code IBC

The Company has established the Code IBC comprising Mr. Zhang Jie, Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin pursuant to the requirement of the Takeovers Code to advise the Independent Shareholders on the terms and conditions of the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver and to make a recommendation to the Independent Shareholders. Mr. Lu Jun and Ms. Shu Chunping, being officers of Hubei S&T, are excluded from the Code IBC as Hubei S&T has a material interest in the Disposals (being special deals under the Takeovers Code). The Code IBC has taken into account the advice from Gram Capital, which has made recommendations to the Code IBC and the Independent Shareholders in this regard.

Listing Rules IBC

The Company has established the Listing Rules IBC comprising Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin pursuant to the requirement of the Listing Rule to advise the Independent Shareholders on the Equity Transfer and the Non-exempt Continuing Connected Transactions and to make a recommendation to the Independent Shareholders. The Listing Rules IBC has taken into account the advice from Gram Capital, which has made recommendations to the Listing Rules IBC and the Independent Shareholders in this regard.

None of the Directors has a material interest in the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate, the Non-exempt Continuing Connected Transactions and the Whitewash Wavier and none of the Directors is required to abstain from voting on the relevant board resolutions.

XI. EXTRAORDINARY GENERAL MEETING

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM to be held at Unit 2902, 29th Floor, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong on Wednesday, 16 March 2016 at 10:00 a.m. at which ordinary resolutions will be proposed to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Equity Interest Transfer Agreement and the transactions contemplated thereunder; (ii) the CECH Subscription Agreement and the transactions contemplated thereunder; (iii) the Placing Agreement and the transactions contemplated thereunder; (iv) the Share Charge and the transactions contemplated thereunder; (v) the Specific Mandate; (vi) the Non-Exempt Continuing Connected Transactions; and (vii) the Whitewash Waiver.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practical and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form of proxy will be deemed to be revoked.

As Technology Investment HK, being a wholly-owned subsidiary of Hubei S&T, has a material interest in the Disposals (being special deals under the Takeovers Code), Technology Investment HK and its associates and the parties acting in concert with them will abstain from voting on all the ordinary resolution(s) to be proposed at the EGM. Further, Mr. Huang Liping, Mr. Hu Bin and Ms. Chen Huifen, being executive Directors, will also abstain from voting on all the ordinary resolution(s) to be proposed at the EGM in view of their involvement in the transactions contemplated in this circular. As at the Latest Practicable Date, Technology Investment HK and Mr. Huang Liping were interested in 479,910,000 and 2,079,460,089 Shares, respectively; whereas Mr. Hu Bin and Ms. Chen Huifen were beneficial owners of 28,128,000 and 4,380,000 Shares, respectively, and beneficiaries of 42,192,000 and 6,570,000 Shares, respectively, of a trust established pursuant to a trust deed dated 13 September 2013 with Hengxin Global (PTC) Limited as trustee.

As at the Latest Practicable Date, Mr. Hu Bin and Ms. Chen Huifen were not entitled to exercise the voting rights in respect of their respective interests in the Shares held by Hengxin Global (PTC) Limited as trustee for the reasons disclosed above. Save as aforesaid, the Shareholders, who were required to abstain from voting at the EGM, controlled or were entitled to exercise control over the voting right in respect of his/her/its Shares.

As at the Latest Practicable Date, save as disclosed above, no other shareholders of the Company will be required to abstain from voting at the EGM to be convened for the purpose of considering and, if thought fit, approving the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate, the Non-exempt Continuing Connected Transactions and the Whitewash Waiver.

XII. RECOMMENDATION

Your attention is drawn to (a) the letters from the Listing Rules IBC and the Code IBC set out on pages 51 and 54 of this circular which contains the recommendation of the Listing Rules IBC and the Code IBC to the Independent Shareholders; and (b) the letter from Gram Capital set out on pages 55 to 88 of this circular which contains its advice to the Listing Rules IBC, the Code IBC and the Independent Shareholders, together with the principal factors and reasons considered in providing its advice.

The Directors (excluding the members of the Listing Rules IBC and the Code IBC whose views are set out in the letters from the Listing Rules IBC and the Code IBC which form part of this circular) consider that (i) the Equity Transfer, the CECH Subscription, the Placing, the Share Charge and the Non-exempt Continuing Connected Transactions have been entered into on normal commercial terms and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned and (ii) the Equity Transfer, the CECH Subscription, the

Placing, the Share Charge, the Specific Mandate, the Whitewash Waiver and the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (excluding the members of the Listing Rules IBC and the Code IBC (as the case maybe) whose views are set out in the letters from the Listing Rules IBC and the Code IBC which form part of this circular) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the extraordinary general meeting to approve the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, Specific Mandate, the Whitewash Waiver and the Non-exempt Continuing Transactions. Please also refer to the respective recommendations of the Listing Rules IBC and the Code IBC set out in this circular.

XIII. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By Order of the Board
Optics Valley Union Holding Company Limited
Huang Liping
Chairman

Wuhan, Hubei, the People's Republic of China
25 February 2016

The following is the text of a letter from the Listing Rules IBC setting out its recommendation to the Independent Shareholders in relation to the Equity Transfer and the Non-exempt Continuing Connected Transactions.

Optics Valley Union Holding Company Limited
光谷聯合控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 798)

25 February 2016

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY;
AND
(2) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular (the "**Circular**") issued by the Company to the Shareholders dated 25 February 2016 of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Listing Rules IBC to consider the Equity Transfer and the Non-exempt Continuing Connected Transactions and to advise the Independent Shareholders as to the fairness and reasonableness of the same and whether the Equity Transfer and the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not you should approve the Equity Transfer and the Non-exempt Continuing Connected Transactions. Gram Capital has been appointed to advise the Listing Rules IBC, the Code IBC and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 9 to 50 of the Circular, and the letter from Gram Capital which contains its advice to the Listing Rules IBC, the Code IBC and the Independent Shareholders in respect of the Equity Transfer and the Non-exempt Continuing Connected Transactions, as set out on pages 55 to 88 of the Circular.

After taking into consideration the terms of the Equity Interest Transfer Agreement and the Non-exempt Continuing Connected Transactions and the advice from Gram Capital, we concur with the views of the Independent Financial Adviser and consider that the Equity Transfer and the Non-exempt Continuing Connected Transactions are within the ordinary and usual course of business of the Group, have been entered into on normal commercial terms and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the extraordinary general meeting to approve the Equity Transfer and the Non-exempt Continuing Connected Transactions.

Yours faithfully,
Listing Rules IBC
Mr. Qi Min **Mr. Leung Man Kit** **Ms. Zhang Shuqin**
Independent non-executive Directors

The following is the text of a letter from the Code IBC setting out its recommendation to the Independent Shareholders in relation to the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver.

Optics Valley Union Holding Company Limited
光谷聯合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 798)

25 February 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY;
(2) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
(3) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
(4) APPLICATION FOR WHITEWASH WAIVER BY CECH;
AND
(5) SPECIAL DEAL

We refer to the circular (the "**Circular**") issued by the Company to the Shareholders dated 25 February 2016 of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Code IBC to consider the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Gram Capital has been appointed to advise the Code IBC and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 9 to 50 of the Circular, and the letter from Gram Capital which contains its advice to the Code IBC and the Independent Shareholders in respect of the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver, as set out on pages 55 to 88 of the Circular.

After taking into consideration the advice from the Gram Capital, we concur with the views of Gram Capital and consider that the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver are within the ordinary and usual course of business of the Group, have been entered into on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

We, therefore, recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
Code IBC
Mr. Zhang Jie
Non-executive Director

Mr. Qi Min **Mr. Leung Man Kit** **Ms. Zhang Shuqin**
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Listing Rules IBC, the Code IBC and the Independent Shareholders in respect of the Transactions (as defined below) for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

25 February 2016

To: The Listing Rules IBC, the Code IBC and the independent shareholders of Optics Valley Union Holding Company Limited

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY; (2) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; (3) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; (4) APPLICATION FOR WHITEWASH WAIVER BY CECH; (5) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS; AND (6) SPECIAL DEAL

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Listing Rules IBC and the Code IBC and the Independent Shareholders in respect of (i) the Equity Transfer; (ii) the CECH Subscription; (iii) application for the Whitewash Waiver; (iv) the Placing; (v) the Non-exempt Continuing Connected Transactions; and (vi) the Share Charge which constitutes the Special Deal (together, the "**Transactions**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 25 February 2016 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Equity Transfer

On 14 December 2015 (after trading hours), CECH (as vendor) entered into the Equity Interest Transfer Agreement with the Company and HK 3A (an indirect wholly-owned subsidiary of the Company) (as purchasers), pursuant to which CECH has conditionally agreed to sell, and the Company and HK 3A have conditionally agreed to acquire, 100% of the equity interest in CEC

Technology for a consideration of RMB699,854,600 (equivalent to approximately HK$846 million), which shall be satisfied by the allotment and issue of the Consideration Shares, credited as fully paid, at the Consideration Price of HK$0.8 per Consideration Share.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Interest Transfer Agreement is more than 25% but less than 100%, the transactions contemplated under the Equity Transfer together constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, upon the Completion, CECH will be interested in 2,550,000,000 Shares, representing approximately 31.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares. CECH will therefore become a controlling shareholder of the Company. Accordingly, the Equity Transfer also constitutes a connected transaction for the Company under Rule 14A.28 of the Listing Rules and will accordingly be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The CECH Subscription

On 14 December 2015 (after trading hours), CECH (as subscriber) entered into the CECH Subscription Agreement with the Company (as the issuer), pursuant to which the Company has conditionally agreed to allot and issue, and CECH has conditionally agreed to subscribe in cash, the CECH Subscription Shares, credited as fully paid, at the Subscription Price of HK$0.8 per CECH Subscription Share.

The Placing

On 14 December 2015 (after trading hours), the Company (as the issuer) entered into the Placing Agreement with China Everbright, pursuant to which China Everbright has conditionally agreed to place, on a fully underwritten basis, 1,450,000,000 new Shares (failing which China Everbright would subscribe for the untaken Placing Shares), credited as fully paid, to not less than six Placees at the Placing Price of HK$0.8 per Placing Share.

Whitewash Waiver

Immediately after the Completion, CECH will be interested in 2,550,000,000 Shares, representing approximately 31.9% of the issued share capital of the Company (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares and on the assumption that no further Shares will be issued or repurchased prior to the Completion). Under Rule 26.1 of the Takeovers Code, CECH would be obliged to make a mandatory general offer to the shareholders of the Company for all the issued Shares and other relevant securities of the Company not already owned or agreed to be acquired by CECH and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive.

CECH has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code arising as a result of the Completion.

The Non-exempt Continuing Connected Transactions and the Share Charge

Upon the Completion, CEC Technology will become an indirect wholly-owned subsidiary of the Company and CECH will become a substantial Shareholder. Accordingly, among other things, the arrangements in respect of the Entrusted Loans will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Completion.

According to the Board Letter, a deed of share charge to be entered into by BVI 3A in favour of CECM, a wholly-owned subsidiary of CECH, upon the Equity Transfer Completion pursuant to which the Company shall charge 375,118 shares of HK 3A, representing approximately 31.51% of the issued share capital of HK 3A to CECM in respect of the Entrusted Loans.

Special Deal

Since the charge of 375,118 shares of HK 3A in favour of CECM pursuant to the terms of the Share Charge is not capable of being extended to all the shareholders of the Company and CECH will become a Shareholder upon Completion, the transaction contemplated under the Share Charge also constitutes a special deal under Rule 25 of the Takeovers Code, which requires, amongst other things, the consent of the Executive. The Company will make an application to the Executive for the consent to proceed with the transactions contemplated under the Share Charge. The Executive will normally consent to the Share Charge provided that (i) Gram Capital publicly stating that in its opinion, the terms of the Share Charge are fair and reasonable; and (ii) the approval of the Independent Shareholders voting by way of poll at the EGM is obtained.

The Listing Rules IBC comprising all the independent non-executive Directors, namely Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin has been established to advise the Independent Shareholders on (i) whether the terms of the Equity Interest Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Equity Transfer, and Non-exempt Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Equity Transfer, and the Non-exempt Continuing Connected Transactions at the EGM.

The Code IBC comprising the non-executive Directors, namely Mr. Zhang Jie, Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin has been established to advise the Independent Shareholders on (i) whether the terms of the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the

Independent Shareholders should vote in respect of the resolution(s) to approve the Equity Transfer, the CECH Subscription, the Placing, the Share Charge and the Whitewash Waiver at the EGM. Mr. Lu Jun and Ms. Shu Chunping, being officers of Hubei S&T, are excluded from the Code IBC as Hubei S&T has a material interest in the Disposals (being special deals under the Takeovers Code).

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Listing Rules IBC, the Code IBC and the Independent Shareholders in these respects.

OUR INDEPENDENCE

Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 31 December 2015 in respect of the Disposals. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Listing Rules IBC, the Code IBC and the Independent Shareholders in respect of the Transactions, and that we comply with Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Transactions to the Listing Rules IBC, the Code IBC and the Independent Shareholders in respect of the Transactions.

BASIS OF OUR OPINION

In formulating our opinion to the Listing Rules IBC and the Code IBC and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or the CECH Group, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report (the "**Valuation Report**") on relevant property interests held by CEC Technology Group (the "**Properties**") dated 25 February 2016 as set out in Appendix V to the Circular. The Valuation Report was prepared by DTZ Debenham Tie Leung Limited (the

"**Valuer**"). Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuation Report for the market value of the Properties as at 30 November 2015 (the "**Valuation**").

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

All Directors jointly and severally accept full responsibility for accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the CECH Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. The Independent Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

A. EQUITY TRANSFER, CECH SUBSCRIPTION AND PLACING

1. Background of and reasons for the Equity Transfer, CECH Subscription and Placing

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in the development and operation of large-scale business parks with distinctive industry themes located in eight cities in Hubei, Shandong and other provinces in the PRC.

According to the interim report of the Company for the six months ended 30 June 2015 (the "**Interim Report**"), as at 30 June 2015, the planned gross floor area ("**GFA**") of the Group's land bank was 6,248,000 sq.m. The land bank of the Group was distributed in the major second-tier and third-tier cities of the PRC, among which 65.6% were located in Wuhan, while the remaining 34.4% were located in other cities such as Qingdao, Hefei, Shenyang, E'zhou and Huangshi.

With reference to the Interim Report, during the period for the six months ended 30 June 2015, the Group continued to insist on sound investment strategies. In order to ensure a solid financial position and a safe cash flow, the Group did not engage in new land investment projects. However, the Group still proactively negotiated new projects and prepared itself for adding new land bank at appropriate times. In addition, the Group has established Optics Valley Union Industry Investment Fund (光谷聯合產業投資基金) as an investment platform. The planned initial investment of RMB100 million will focus on investing in high-tech industry and high-return innovative and venture projects.

With reference to the Interim Report, the Group will enlarge the scale of assets-light business, such as strategic cooperation, full value-chain services and management consulting, with relevant development strategies to enhance the proportion of the revenue of such asset-light business. In respect of its investment, the Group will continue to deepen its penetration in existing cities while exploring investment opportunities in the "One Belt, One Road" surrounding coastal cities and second-tier cities. Meanwhile, the Group will enter the segment markets of the first-tier cities through asset-light strategies such as strategic cooperation, full value-chain services and management consulting.

Information on the CEC Technology Group

CEC Technology Group was acquired by CECH from CEC in June 2014 at a consideration of RMB600 million. As at the Latest Practicable Date, CEC Technology is wholly-owned by CECH. The principal business activities of CEC Technology Group are the development and management of industrial parks in the PRC which provides a platform for industry players to develop electronic information technology businesses. The major electronic information technology industrial parks operation of CEC Technology Group comprises:

1. Hainan Resort Software Community (海南生態軟件園) ("**Hainan RSC**"), which is wholly-owned, developed and managed by Hainan Resort Software Community Investment and Development Co., Ltd* (海南生態軟件園投資發展有限公司), an associate company of CEC Technology. Hainan RSC is situated in Hainan, with a planned total site area of 3,000 mu, of which approximately 1,790 mu of land had already been acquired, and application will be made to the government for the purchase of the remaining approximately 1,210 mu. The park targets at enterprises engaging in software research, software outsourcing and information technology training, as well as call centres and internet media.

2. CEC Xi'an Industrial Park (中國電子西安產業園) ("**Xi'an Industrial Park**"), which is wholly-owned, developed and managed by CEC Xi'an, a subsidiary of CEC Technology. Xi'an Industrial Park is situated in Xi'an and occupies a site area of 470 mu, of which 202 mu of land has already been acquired, and application for the purchase of the rest from the government is in progress. The park targets at enterprises engaging in producer and consumer information services industries such as cloud computing services, integrated circuit design, software research and development, information services, information security and electronic commerce.

3. CEC Beihai Industrial Park (中國電子北海產業園) ("**Beihai Industrial Park**"), which is wholly-owned, developed and managed by CEC Beihai, a subsidiary of CEC Technology. Beihai Industrial Park is situated in Beihai, Guangxi. The park targets at manufacturers of computers and computer storage, as well as enterprises engaging in software research and services, and the production of key parts of LCD monitors and A/D power.

Set out below is the audited financial information of CEC Technology Group for eleven months ended 30 November 2015 and the two years ended 31 December 2014 as extracted from Appendix II to the Circular:

	For the eleven months ended 30 November 2015	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**	**Year on year change**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	8,866	5,640	10,711	(47.3)
— Sales of land use rights	*—*	*5*	*7,575*	*(99.9)*
— Sales of properties	*—*	*323*	*—*	*NA*
— Rental income	*8,866*	*5,312*	*3,136*	*69.4*
Net profit/(loss) before tax	79,822	(12,159)	77,762	NA
Net profit/(loss) after tax	59,800	(15,184)	53,182	NA

	As at 30 November 2015	**As at 31 December 2014**	**As at 31 December 2013**	**Year on year change**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Net assets	215,228	155,428	170,612	(8.90)

With reference to the above table, CEC Technology Group recorded a decrease of approximately 47.3% in revenue from 2013 to 2014. As advised by the Directors, such decrease was mainly attributable to the decrease in sales of land use rights in 2014 as compared to 2013. For the eleven months ended 30 November 2015, CEC Technology Group recorded revenue of approximately RMB8.9 million, representing an increase of approximately 83.1% as compared to the corresponding period in 2014. Furthermore, rental income for the year ended 31 December 2014 was substantially increased by approximately 69.4% as compared to the previous year. CEC Technology Group recorded a profit for the eleven months ended 30 November 2015 as compared to a loss for the 11 months ended 30 November 2014. The net profit for the 11 months ended 30 November 2015 was mainly driven by a substantial increase (i) from revaluation gains upon transfer of properties under development to investment properties; and (ii) interest income which was not due to increase in interest rate but due to entrusted loans which was granted by CEC Technology to Hainan RSC in the second half year of 2014.

According to the information regarding working capital as contained in the section headed "3. WORKING CAPITAL" as contained in Appendix I to the Circular, (i) the expected capital commitment concerning the development of industrial parks of CEC Technology amounts to approximately RMB824 million in aggregate; and (ii) the Directors are of the opinion that, taking into account of the Enlarged Group's available financial resources, including but not limited to the internally generated cash flows, available banking facilities and cash and cash equivalent and also the effect of the Equity Transfer, the CECH Subscription and the Placing, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of the Circular (the "**WC Sufficiency Statement**"). As confirmed by the Directors, the Company has complied with Rule 14.66(12) of the Listing Rules in arriving the WC Sufficiency Statement.

Information on CECH

CECH is an investment holding company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of CECH Group are the design and sale of integrated circuit chips, and the development and management of electronic information technology industrial parks.

Information on the Placing Agent

China Everbright Securities (HK) Limited, a registered institution licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reasons for and benefits of the Equity Transfer, CECH Subscription and Placing

With reference to the Board Letter, the Directors consider that the acquisition by CEC Technology Group would enable the Company to expand its business into new geographical areas of Hainan, Shaanxi and Guangxi Provinces in the PRC. Further, the size of the industrial parks being developed by CEC Technology Group are comparable to those developed by the Group and hence, the Equity Transfer is expected to strengthen and consolidate the Group's portfolio, thereby enhancing the Company's position as a leading large-scale business parks developer. In addition, insofar as the Company is aware, certain phases of the industrial parks developed by the CEC Technology Group are expected to be completed for sale in 2016. The

Directors consider that with the gradual completion of the relevant construction of such industrial parks, CEC Technology Group would be able to contribute to the future growth of the Group.

Following the Equity Transfer and the CECH Subscription, CECH will become a controlling shareholder of the Company. The Directors (excluding the members of Listing Rules IBC and the Code IBC) consider that the Equity Transfer and the CECH Subscription will not only allow the Company to expand its shareholder base, but also represent a good opportunity for the Company to explore and pursue cooperation with CECH, in particular in respect of the development and operation of business parks, which will be beneficial to the development and expansion of the Group's business.

Further, the net proceeds from the CECH Subscription are estimated to amount to approximately HK$1,184 million. The Company intends to use approximately 76% of the net proceeds for the development of the business of CEC Technology, approximately 14% for the business development of the Group and the balance of approximately 10% as general working capital of the Group. The Directors (excluding the members of Listing Rules IBC and the Code IBC) consider that the CECH Subscription would strengthen the Group's cash position without incurring additional interest burden and is therefore an effective manner to raise additional capital for the Group.

The following table sets out the Group's intended usage of net proceeds from the CECH Subscription:

Development of the business of CEC Technology

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Beihai Industrial Park	Land reserve and for development and construction	To leverage on the "One Belt, One Road" development strategy of the PRC government and the advantages on China Electronics Corporation's industry platform as well as the Group's operation capability on industry parks after re organization to proactively foster the construction of the Beihai Industrial Park	244
New projects in Wenzhou	Land reserve and for development and construction	To expand land reserve upon the basic completion of the development of existing projects of CEC Technology; and to leverage on the Group's operation capability on industry parks after re-organization with the resource advantages of CECH to undergo project development and construction	500
		Subtotal	744

Business development of the Group

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Qingdao OVU International Marine Information Harbour	Project construction	To accelerate project constructions and become available-for-sale	87
E'zhou OVU Science and Technology City	Project construction	To accelerate project constructions and become available-for-sale	50
		Subtotal	137

General working capital

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Employee benefit	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	10
Administrative expense	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	15
Promotion and others	Brand promotion for the Group and advertisement and promotion for all projects in sale	To expand brand influence and accelerate the sales	73
		Subtotal	98
		Total	979

With reference to the Board Letter, the net proceeds from the Placing are estimated to amount to approximately HK$1,148 million. The Company intends to use approximately 90% of the net proceeds for the future development of the group's business and the balance of approximately 10% as general working capital of the Group. The Directors (excluding the members of Listing Rules IBC and the Code IBC) consider that the Placing would strengthen the Group's cash position without incurring additional interest burden and is therefore an effective manner to raise additional capital for the Group. The Placing will also provide an opportunity for the Company to broaden its shareholder base.

The following table sets out the Group's intended usage of net proceeds from the Placing:

Future development of the Group's business

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Establishment of the OVU Fund	OVU Fund is the platform for the Group to create OVU Ecosphere with its capital	To assist the Group to obtain the capability to undergo informationizization of the Group's entire industry chain in the future	100
Creative Capital	Project construction	To accelerate project constructions and become available-for-sale	200
Qingdao Innocenter	Project construction	To accelerate project constructions and become available-for-sale	60
Qingdao Marine & Science Park	Project construction	To accelerate project constructions and become available-for-sale	194
Hefei Financial Harbour	Project construction	To accelerate project constructions and become available-for-sale	300
		Subtotal	854

General working capital

	Purposes/Intention	**Benefits**	**Funding** *(RMB million)*
Employee benefit	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	60
Administrative expense	Replenish the Group's working capital	To ensure sufficiency of the Group's liquidity	35
		Subtotal	95
		Total	949

For our due diligence purpose, we have obtained the business development plans of the said projects. According to the business development plans of the Group and preliminary business development plans of the CECH Technology Group, we consider that the use of proceeds are in line with the said plans.

Furthermore, as mentioned above, the expected capital commitment concerning the development of industrial parks of CEC Technology amounts to approximately RMB824 million in aggregate. With reference to the above table, approximately RMB244 million and RMB500 million will be used for the development of Beihai Industrial Park and new projects in Wenzhou respectively and financed by the net proceeds generated from the CECH Subscription. The remaining amount of approximately RMB80 million for the development of Xi'an project (phase II) will be financed by proceeds generated from sales of such project and partly through borrowings. As advised by the Directors, in the event that (for illustration purpose only), the Company would finance the full amount of RMB80 million by borrowings, which the Directors considered to be insignificant to the Group's current debt levels (loans and borrowings of the Group was approximately RMB2,495 million as at 30 June 2015).

Having considered the following factors:

(i) the Equity Transfer would enable the Company to expand its business into new geographical areas of Hainan, Shaanxi and Guangxi Provinces in the PRC; and

(ii) the Equity Transfer and CECH Subscription represent a good opportunity for the Company to explore and pursue cooperation with CECH, in particular in respect of the development and operation of business parks, which will be beneficial to the development and expansion of the Group's business as (a) the size of the industrial parks being developed by CEC Technology Group is comparable to those developed by the Group; and (b) certain phases of the industrial parks developed by the CEC Technology Group are expected to be completed for sale in 2016,

we concur with the Directors (excluding the members of Listing Rules IBC and the Code IBC) that the Equity Transfer is in the interests of the Company and the Independent Shareholders as a whole.

Financing alternatives available to the Group

The Company had not carried out any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

We have enquired into the Directors and were informed by the Directors that the Group has considered various methods for fund raising, namely debt financing and equity financing. Nevertheless, the Directors advised us that the Company prefers not to incur additional debt and interest burden on the Group (if possible). As such, debt financing would be considered not suitable for the Group at present.

With regard to equity financing, the Directors advised us that although both open offer and rights issue would allow Shareholders to maintain their respective pro-rata shareholdings in the Company and at the same time to strengthen the capital base of the Company, such fund raising exercises require the Company to procure commercial underwriting. Procurement of commercial underwriting would be difficult given the volatile market conditions in Hong Kong stock market in the past few months before entering into the CECH Subscription Agreement and the Placing Agreement. Despite that the Stock Exchange may, in appropriate circumstances (with reference to note (1) to Rule 7.19(1) of the Listing Rules, such circumstances may include (i) underwriting can only be obtained subject to a force majeure clause (or other similar terms and conditions) which is unacceptable to the directors; or (ii) the issuer has specific intended uses for the proceeds and can show that the additional costs of underwriting the issue are not justified in the particular circumstances), be prepared to permit open offer/rights issue to be proceeded without being fully underwritten, such open offer/rights issue will be subject to certain provisions under the Listing Rules. The Directors are also of the view that both open offer and rights issue would be relatively time consuming as compared with the subscription and placing of new shares.

The Directors are hence of the opinion that Placing (on a fully underwritten basis) and CECH Subscription are more preferable methods of fund raising for the Group.

As confirmed by the Directors, save as and except for the CECH Subscription, the Placing and the Entrusted Loans, as at the Latest Practicable Date, the Company had no imminent funding need to carry out other fund raising activities.

Having considered the following factors:

(i) the proposed use of proceeds from the CECH Subscription and Placing as mentioned under section headed "Reasons for and benefits of the Equity Transfer, CECH Subscription and Placing" above;

(ii) The Equity Transfer and CECH Subscription represent a good opportunity for the Company to explore and pursue cooperation with CECH, in particular in respect of the development and operation of business parks, which will be beneficial to the development and expansion of the Group's business;

(iii) the Placing would strengthen the Group's cash position without incurring additional interest burden and the placing commission for the Placing is fair and reasonable so far as the Independent Shareholders are concerned as demonstrated under sub-section headed "The placing commission" below;

(iv) the Placing will provide an opportunity for the Company to broaden its shareholder base; and

(v) the Directors are of the opinion that placing and subscription are more preferable methods of fund raising for the Group as explained under the sub-section headed "Financing alternatives available to the Group" above,

we concur with the Directors (excluding the members of Listing Rules IBC and the Code IBC) that the CECH Subscription and Placing are in the interests of the Company and the Independent Shareholders as a whole.

2. Principal terms of the Equity Interest Transfer Agreement, CECH Subscription Agreement and Placing Agreement

The Equity Interest Transfer Agreement

Pursuant to the Equity Interest Transfer Agreement, CECH has conditionally agreed to sell, and the Company and HK 3A have conditionally agreed to acquire, 100% of the equity interest in CEC Technology. As at the Latest Practicable Date, CEC Technology is a wholly-owned subsidiary of CECH. Upon the Equity Transfer Completion, CEC Technology will cease to be a subsidiary of CECH and will become an indirect wholly-owned subsidiary of the Company.

Consideration for the Equity Transfer

With reference to the Board Letter, pursuant to the Equity Interest Transfer Agreement, the consideration for the Equity Transfer is RMB699,854,600 (equivalent to approximately HK$846 million) (the "**Acquisition Consideration**"), which shall be satisfied by the allotment and issue of the Consideration Shares, credited as fully paid, at the Consideration Price of HK$0.8 per Consideration Share.

With reference to the Board Letter, the Acquisition Consideration was agreed between the Company and CECH after arm's length negotiations on normal commercial terms with reference to, among other things, (i) the unaudited consolidated net asset value of CEC Technology Group as at 30 June 2015; (ii) the valuation of the relevant property interests held by CEC Technology Group conducted by an independent qualified valuer; (iii) the current operations of CEC Technology Group; and (iv) the business prospects of CEC Technology Group.

Set out below is the comparison of relevant figures which facilitate our assessment on the Acquisition Consideration:

1.	**The Acquisition Consideration**	**RMB699,854,600**
2.	**The Valuation as at 30 November 2015**	**RMB1,886,134,500**

3. The sum of value (based on the financial information of the CEC Technology Group as at 30 November 2015) (the "Sum of Value")	
which was calculated by:	
(C) Net asset value attributable to owner of the CEC Technology (the "**NAV**") as at 30 November 2015 – (D) Book value of the Properties attributable to owner of the CEC Technology (the "**Book Value**") as at 30 November 2015 *(Note 1)* + (E) Valuation = (F) Sum of Value as at 30 November 2015	
(C) RMB182,528,000 – (D) RMB1,229,806,005 + (E) RMB1,886,134,500 = (F) RMB838,856,495	**RMB838,856,495**

Notes:

1. As advised by the Directors, book value of the Properties attributable to owner of the CEC Technology as at 30 June 2015 and 30 November 2015 was approximately RMB1,053,827,018 and RMB1,229,806,005 respectively.

2. With reference to the Board Letter and as advised by the Directors, the Acquisition Consideration was agreed between the Company and CECH after arm's length negotiations on normal commercial terms with reference to, among other things, (i) the unaudited consolidated net asset value of CEC Technology Group as at 30 June 2015; (ii) the valuation of the relevant property interests held by CEC Technology Group conducted by an independent qualified valuer; (iii) the current operations of CEC Technology Group; and (iv) the business prospects of CEC Technology Group.

Detailed calculation of the said basis is set out below:

(G) NAV as at 30 June 2015 – (D) Book Value as at 30 June 2015 + (E) Valuation = (F) Sum of Value as at 30 June 2015

(G) RMB158,423,000 – (D) RMB1,053,827,018 + (E) RMB1,886,134,500 = (F) RMB990,730,482

The Acquisition Consideration of RMB699,854,600 represents a discount of approximately 29% to the Sum of Value as at 30 June 2015.

According to the table above, the Acquisition Consideration represents a discount of approximately 17% to the Sum of Value.

The Valuation

For our due diligence purpose, we have reviewed the Valuation Report and interviewed with the Valuer regarding the methodology adopted and the basis and assumptions used in arriving at the Valuation. In the course of our discussion with the Valuer, we noted that the Valuer carried out a site inspection of the Properties in August 2015. Based on the Valuation Report, the Valuer has adopted the direct comparison approach to conclude the Valuation. As confirmed by the Valuer, the direct comparison approach and investment approach are commonly adopted approaches for valuation of properties and are also consistent with normal market practice.

We have also reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for the preparation of the Valuation Report. As regards the qualifications and experience of the Valuer, we have conducted reasonable checks to assess the relevant qualifications, experience and expertise of the Valuer, including reviewing supporting documents and have discussed with the Valuer their qualifications and experience. Moreover, we have interviewed the Valuer as to its qualifications, expertise and independence to the Group, including but not limited to the Group, CECH Group, CEC Technology Group and their respective associates and we have reviewed their terms of engagement. During our discussion with the Valuer, we have not identified any major factor which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the Valuation Report. Your attention is also drawn to the basis of valuation and valuation assumptions as set out in the Valuation Report in Appendix V to the Circular.

In light of the above basis of the Acquisition Consideration and that the Acquisition Consideration represents a discount of the Sum of Value, we are of the view that the Acquisition Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Taking into account the principal terms of the Equity Interest Transfer Agreement as discussed above, we consider that the terms of the Equity Interest Transfer Agreement are fair and reasonable and on normal commercial terms.

Issue of the Consideration Shares

Pursuant to the Equity Interest Transfer Agreement, the Equity Transfer will be settled by allotment and issuance of the Consideration Shares to CECH, credited as fully paid, at the Consideration Price of HK$0.8 per Consideration Share.

The Consideration Price of HK$0.8 per Consideration Share represents:

(i) a discount of approximately 4.8% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 15.8% to the closing price of Shares as quoted on the Stock Exchange on the Last Trading Day of approximately HK$0.95 per Share;

(iii) a discount of approximately 13.0% to the average closing price of Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$0.92 per Share;

(iv) a discount of approximately 14.9% to the average closing price of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.94 per Share;

(v) a discount of approximately 16.7% to the average closing price of the Shares as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day of approximately HK$0.96 per Share; and

(vi) a premium of approximately 1.3% to the unaudited consolidated net asset value per Shares of approximately HK$0.79 as at 30 June 2015.

The Consideration Price was arrived at after arm's length negotiations between the Company and CECH, with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Company.

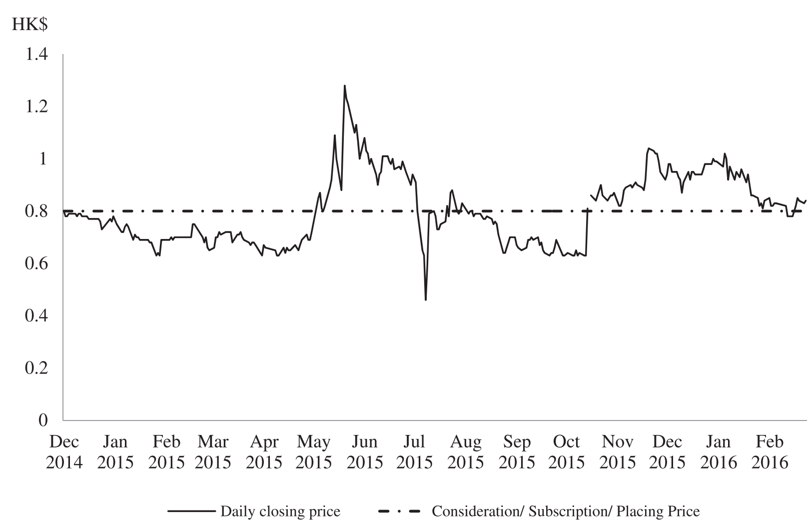
The Directors (excluding the members of Listing Rules IBC and the Code IBC) consider that the Consideration Price and the terms of the Equity Transfer Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

To assess the fairness and reasonableness of the Consideration Price, we have taken into account the following factors:

Review on Share prices

The diagram demonstrating the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 December 2014, being approximately one year prior to the date of the CECH Subscription Agreement, up to and including the Latest Practicable Date (the "**Review Period**") are shown as follows:

Historical daily closing price per Share



Source: the Stock Exchange's web-site (www.hkex.com.hk)

Note: Trading in Shares were halted from 9:02 a.m. on 15 October 2015 to 1:00 p.m. on 16 October 2015 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.46 per Share recorded on 8 July 2015 and HK$1.28 per Share recorded on 20 May 2015 respectively (the "**Historical Price Range**"). As illustrated in the above diagram, the Subscription Price of HK$0.80 is within the Historical Price Range during the Review Period.

We also noted that the closing prices of the Shares moved in a general sliding trend from December 2014 to May 2015. The closing prices of the Shares then surged substantially from May 2015 to June 2015. After the closing price of the Shares reached its peak of HK$1.28 per Share on 20 May 2015, the closing price of the Shares showed a general decreasing trend from

June 2015 to October 2015. The closing price of the Shares then surged substantially on 14 October 2015 and fluctuated within the range of HK$0.81 to HK$1.04 from May 2015 until the Latest Practicable Date.

Furthermore, we noted that the average closing price of the Shares (i) for the period from 1 December 2014 to the Last Trading Day ("**Selection Period**") is approximately HK$0.79; and (ii) for the Review Period is approximately HK$0.80. The Consideration Price (i) represents a premium to the average closing price of Shares for the Selection Period; and (ii) is about the same to the average closing price of Shares for the Review Period.

As confirmed by the Directors, the Consideration Price was arrived at after arm's length negotiations between the Company and CECH, with reference to, among other things, recent trading performance of the Shares (i.e. market price of the Share).

In view of that (i) the Consideration Price of is within the Historical Price Range; and (ii) the Consideration Price (a) represents a premium to the average closing price of Shares for the Selection Period; and (b) is about the same to the average closing price of Shares for the Review Period, we are of the opinion that the Consideration Price is fair and reasonable so far as the Independent Shareholders are concerned.

The CECH Subscription Agreement

On 14 December 2015 (after trading hours), CECH (as subscriber) entered into the CECH Subscription Agreement with the Company (as the issuer), pursuant to which the Company has conditionally agreed to allot and issue, and CECH has conditionally agreed to subscribe in cash, the CECH Subscription Shares, credited as fully paid, at the Subscription Price of HK$0.8 per CECH Subscription Share.

Set out below are the major terms of the CECH Subscription Agreement:

Date

14 December 2015

Issuers

The Company

Subscriber

CECH

CECH Subscription Shares

CECH and the Company entered into the CECH Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and CECH has conditionally agreed to subscribe in cash, the CECH Subscription Shares, credited as fully paid, at the Subscription Price of HK$0.8 per CECH Subscription Share.

The number of CECH Subscription Shares to be issued is 1,491,469,917. The 1,491,469,917 CECH Subscription Shares, if fully issued and allotted, represents (i) approximately 37.29% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 27.16% immediately after the issue and allotment of the CECH Subscription Shares, assuming there shall be no change in the issued share capital of the Company from the Latest Practicable Date up to and including the CECH Subscription Completion.

The CECH Subscription Shares, when issued and allotted on the CECH Subscription Completion, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the CECH Subscription Shares.

Subscription Price

The Subscription Price of approximately HK$0.80 represents:

(i) a discount of approximately 4.8% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 15.8% to the closing price of Shares as quoted on the Stock Exchange on the Last Trading Day of approximately HK$0.95 per Share;

(iii) a discount of approximately 13.0% to the average closing price of Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$0.92 per Share;

(iv) a discount of approximately 14.9% to the average closing price of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.94 per Share;

(v) a discount of approximately 16.7% to the average closing price of the Shares as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day of approximately HK$0.96 per Share; and

(vi) a premium of approximately 1.3% to the unaudited consolidated net asset value per Shares of approximately HK$0.79 as at 30 June 2015.

With reference to the Board Letter, the Subscription Price was arrived at after arm's length negotiations between the CECH and the Company, with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Company. The Directors (excluding the members of Listing Rules IBC and the Code IBC) consider that the Subscription Price and the terms of the CECH Subscription Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

To further assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

Review on Share prices

Details of the movement of closing price per Share are demonstrated in the prior sub-section headed "Review on Share prices" above.

In view of that (i) the Subscription Price of is within the Historical Price Range; and (ii) the Subscription Price (a) represents a premium to the average closing price of Shares for the Selection Period; and (b) is about the same to the average closing price of Shares for the Review Period, we are of the opinion that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

The Placing Agreement

On 14 December 2015 (after trading hours), the Company (as the issuer) entered into the Placing Agreement with China Everbright, pursuant to which China Everbright has conditionally agreed to place, on a fully underwritten basis, 1,450,000,000 new Shares (failing which China Everbright would subscribe for the untaken Placing Shares), credited as fully paid, to not less than six Placees at the Placing Price of HK$0.8 per Placing Share.

Set out below are the major terms of the Placing Agreement:

Date

14 December 2015

Issuer

The Company

Placing agent

China Everbright

The Placing Shares

China Everbright has conditionally agreed to place, on a fully underwritten basis, a total of 1,450,000,000 Placing Shares at the Placing Price of HK$0.80 per Placing Share.

The Placing Price

The Placing Price is HK$0.80 per Placing Share represents:

(i) a discount of approximately 4.8% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 15.8% to the closing price of Shares as quoted on the Stock Exchange on the Last Trading Day of approximately HK$0.95 per Share;

(iii) a discount of approximately 13.0% to the average closing price of Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$0.92 per Share;

(iv) a discount of approximately 14.9% to the average closing price of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.94 per Share;

(v) a discount of approximately 16.7% to the average closing price of the Shares as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day of approximately HK$0.96 per Share; and

(vi) a premium of approximately 1.3% to the unaudited consolidated net asset value per Shares of approximately HK$0.79 as at 30 June 2015.

As confirmed by the Directors, the Placing Price has been negotiated and arrived at on an arm's length basis with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Company. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Assuming all of the 1,450,000,000 Placing Shares are placed by the Company under the Placing, the proceeds from the Placing will be approximately HK$1,148 million of which approximately HK$1,033.20 million will be used for the future development of the Group and the balance of approximately HK$114.80 million will be used as the general working capital of Group.

To further assess the fairness and reasonableness of the Placing Price, we set out the following informative analyses for illustrative purpose:

Review on Share prices

Details of the movement of closing price per Share are demonstrated in the prior sub-section headed "Review on Share prices" above.

In view of that (i) the Placing Price of is within the Historical Price Range; and (ii) the Placing Price (a) represents a premium to the average closing price of Shares for the Selection Period; and (b) is about the same to the average closing price of Shares for the Review Period, we are of the opinion that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

The placing commission

Furthermore, we noted that the placing commission payable to the Placing Agent of 1% of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares (the "**Placing Commission**"). We noted that the placing commission payable to the placing agent regarding the placing of new shares under specific mandate from the period from 1 December 2015 to the Latest Practicable Date (the "**Placing Comparables**"), which are exhaustive comparables as far as we are aware of, is ranged from nil to 4.1% (the "**Commission Range**"). The Placing Commission is within the Commission Range (i.e. from nil to 4.1%) received by placing agent under the Placing Comparables in respect of the placing of new shares under the specific mandate. For this reason, we concur with the Directors (excluding the members of Listing Rules IBC and the Code IBC) that the placing commission for the Placing is fair and reasonable so far as the Independent Shareholders are concerned.

Dilution effect on the shareholding interests of the existing public Shareholders

With reference to shareholding table as set out in the section headed "Changes to the shareholding in the Company as a result of the issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares" of the Board Letter, the shareholding interests of the existing public Shareholders would be diluted by approximately 17.00 percent point, from approximately 34.00% to 17.00%, immediately upon the Completion (assuming that no new Shares will be issued or repurchased by the Company prior to the Completion). Nonetheless, in view of (i) the Company and its Shareholders to retain more cash for general working capital and future business expansion of the Group after the Equity Transfer by issue of Consideration; (ii) the subscription and placing are more preferable methods of fund raising for the Group; (iii) the reasons for and benefits of the Equity Transfer, CECH Subscription and Placing as mentioned above; and (iv) the terms of the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

Having considered and analysed the foregoing terms of each of the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement, we are of the view that the terms of each of the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effects of the Equity Transfer

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Group which illustrates the financial impact of the Equity Transfer on the assets and liabilities of the Enlarged Group.

Upon Equity Transfer Completion, CEC Technology will be accounted for, as a subsidiary of the Group and its results will be consolidated into the financial statements of the Group.

With reference to the Board Letter, in light of the potential future prospects offered by the Equity Transfer as stated in the section headed "Reasons for and benefits of the Equity Transfer and the CECH Subscription" of the Board Letter, the Directors are of the view that the Equity Transfer will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of CEC Technology.

As extracted from the announcement of the Company dated 14 December 2015, the audited total assets and total liabilities of the Group was approximately RMB8.6 billion and RMB5.9 billion as at 30 June 2015 respectively. Based on the unaudited pro forma financial information of the Group as set out in Appendix IV to the Circular, if the Equity Transfer had been completed on 30 June 2015, the total assets of the Group would increase to approximately RMB11.0 billion, and the total liabilities of the Group would increase to approximately RMB7.6 billion.

Further details of the financial effect of the Equity Transfer on the assets and liabilities of the Group together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to the Circular.

4. Recommendations

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Equity Transfer, the CECH Subscription and the Placing are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Listing Rules IBC and the Code IBC (as the case may be) to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Equity Transfer, CECH Subscription and the Placing and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. THE WHITEWASH WAVIER

Upon Completion, CECH and together with parties acting in concert will own 2,550,000,000 Shares, representing approximately 31.9% of the total issued share capital of the Company (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares).

CECH will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities not already owned or agreed to be acquired by it or parties acting in concert with it pursuant to Rule 26 of the Takeovers Code. On 5 January 2016, an application was made by CECH to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Consideration Shares, CECH Subscription Shares and Placing Share pursuant to the Equity Interest Transfer Agreement, CECH Subscription Agreement and Placing Agreement. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders taken by way of a poll at the EGM. The Executive may or may not grant the Whitewash Waiver.

Given that the completion of the Equity Transfer and CECH Subscription are conditional upon, amongst other, the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver and the fulfillment of all conditions (if any) attached to the Whitewash Waiver, if the Whitewash Waiver is not granted by the Executive or if the conditions (if any) imposed thereon are not fulfilled, the Equity Transfer, CECH Subscription and the Placing will not proceed.

In view of (i) that the CECH Subscription and Placing are more preferable methods of fund raising for the Group; (ii) the proposed use of net proceeds from the CECH Subscription and the Placing for (a) future development of Group's business; (b) general working capital purpose; and/or (c) development of the business of CEC Technology; and (iii) the terms of the Equity Transfer Agreement, CECH Subscription Agreement and the Placing Agreement, being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the CECH Subscription, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Equity Transfer, the CECH Subscription and the Placing.

Recommendation

Having taken into consideration the reasons for and possible benefits of the Equity Transfer and the CECH Subscription; that the Equity Transfer and CECH Subscription are conditional upon the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Code IBC to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

C. THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND SHARE CHARGE

1. Background of and reasons for the Non-exempt Continuing Connected Transactions and Share Charge

As at the Latest Practicable Date, members of the CEC Technology Group has entered into Entrusted Loan Agreements with CECH and CEC Finance, pursuant to which CECH had provided the Entrusted Loans in the aggregate principal amount of RMB1,195.32 million to CEC Technology Group with CEC Finance acting as the lending agent.

Upon the Completion, CEC Technology will become an indirect wholly-owned subsidiary of the Company and CECH will become a substantial shareholder of the Company. Accordingly, the arrangements in respect of the Entrusted Loans will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Completion.

With reference to the Board Letter, the terms of the Entrusted Loans will remain the same following the Completion. In particular, following the Completion, the rates of the interest and handling fees payable by the relevant members of the CEC Technology Group pursuant to the Entrusted Loans will remain the same. Details of the terms of the Entrusted Loans are set out under the section headed "The Charge Over Deposits, the Entrusted Loans and the Share Change" under the Board Letter.

In consideration of CECH Group continuing to provide the Entrusted Loans in favour of CEC Technology Group after the Equity Transfer Completion, the Group shall (i) pay an interest in respect of the outstanding loan amount drawn down by CEC Technology Group under the Entrusted Loans to CECH Group at the rate of 7% per annum on the outstanding amount of such loans as from the date of the Equity Transfer Completion, and (ii) procure BVI 3A, a wholly-owned subsidiary of the Company, to enter into the Share Charge in favour of CECM, pursuant to which BVI 3A will charge 375,118 shares of HK 3A (representing approximately 31.51% of the issued share capital of HK 3A as at the Latest Practicable Date) in favour of CECM.

Reasons for and benefits of the Non-exempt Continuing Connected Transactions and Share Charge

As mentioned above, as at the Latest Practicable Date, members of the CEC Technology Group has entered into Entrusted Loan Agreements with CECH and CEC Finance, pursuant to which CECH had provided the Entrusted Loans in the aggregate principal amount of RMB1,195.32 million to CEC Technology Group with CEC Finance acting as the lending agent.

Prior to the Completion, CEC Technology Group has conducted the Non-exempt Continuing Connected Transactions with the associates of CECH and the Company shall take up the Non-exempt Continuing Connected Transactions after the Completion. Hence, the Directors, consider it to be beneficial to the Company to continue to conduct the Non-exempt Continuing Connected Transactions in order to ensure and maximise operating efficiency and stability of the operations of the CEC Technology Group. Further, the Directors consider that the interest rate of 7% per annum in respect of the Entrusted Loans are below the prevailing interest rate for loans of a similar nature. For our due diligence purpose, we have obtained a list from the Company which illustrated the interest rates of existing loans of the Group in similar nature to the Entrusted Loans and we found that the interest rate of Entrusted Loans are lower than the interest rates of existing loans of the Group in similar nature to the Entrusted Loans.

In consideration of CECH Group continuing to provide the Entrusted Loans in favour of CEC Technology Group after the Equity Transfer Completion, the Group shall procure BVI 3A, a wholly-owned subsidiary of the Company, to enter into the Share Charge in favour of CECM, despite that CECH will become a controlling Shareholder upon Completion.

Pursuant to the Share Charge, charges shall be immediately enforceable following the occurrence of an event of default as stipulated under the Share Charge and CECM may, without notice to the BVI 3A or prior authorisation from any court in its discretion to, among other things, enforce all or any part of any charges (at the times, in the manner and on the terms it thinks fit) and take possession and hold or dispose of all or any part of the charged assets (i.e. 375,118 shares of HK 3A).

The Directors (excluding the members of Listing Rules IBC and the Code IBC) considers that the Non-exempt Continuing Connected Transactions had been subject to arm's length negotiation between the CEC Technology Group and the relevant parties, and had been entered into by the CEC Technology Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to Group than those available to or from (as appropriate) independent third parties.

The Directors (excluding the members of Listing Rules IBC and the Code IBC) are of the view that the Non-exempt Continuing Connected Transactions, and the relevant proposed New Caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

With reference to the Board Letter, the term of the Entrusted Loan Master Agreements will expire on 29 October 2016 and 10 November 2016 respectively. We are advised by the management of the Company that the CECH Group will continue to provide the financial assistance to CEC Technology Group after the Equity Transfer Completion.

With further reference to the Board Letter, the Directors (excluding the members of Listing Rules IBC and the Code IBC) consider that the interest rate under the Entrusted Loan Master Agreements is favourable to the Group and the entrusted loans could provide the working capital for business development of the CEC Technology Group.

As further advised by the Directors, the provision of the Entrusted Loan will provide CEC Technology Group with additional and stable funding for its investments in the Hainan Resort Software Community (海南生態軟件園), and is in line with the Company's efforts in developing the business of CEC Technology Group. The Directors also consider that by utilizing the Entrusted Loan as the capital resources when develop CEC Technology Group may allow the Group to retain its own cash and cash equivalents, which may provide the Group opportunities with the capability to capture any prospective business development/investment opportunity as and when it arises.

Although CECM may, without notice to the BVI 3A or prior authorisation from any court in its discretion to, among other things, enforce all or any part of any charges (at the times, in the manner and on the terms it thinks fit) and take possession and hold or dispose of all or any part of the charged assets (i.e. 375,118 shares of HK 3A) following the occurrence of an event of default as stipulated under the Share Charge, having considered (i) the low interest rate of the Entrusted Loans as compared to the existing loans of the Group in similar nature of the Entrusted Loans; (ii) CEC Technology Group is still in development stage, by utilizing the Entrusted Loan as the capital resources for the development of CEC Technology Group may allow the Group to retain its own financial resources; and (iii) the prospects of the Group as mentioned under the sub-section headed "Business overview of the Group", we are of the view that the entering into of the Entrusted Loan Master Agreements and the Share Charge are fair and reasonable though not in the usual and ordinary course of business of the Group, and is in the interests of the Group and the Independent Shareholders as a whole.

2. Principal terms of the Non-exempt Continuing Connected Transactions and the Share Charge

New Cap

RMB1.2 billion has been set as the annual cap for the year ending 31 December 2016.

With reference to the Board Letter, as at the Latest Practicable Date, the total outstanding amount of the borrowings under the Entrusted Loans due by CEC Technology Group to CECH Group will be not more than RMB1.2 billion. According to the Equity Interest Transfer Agreement, CECH Group will continue to provide the said financial assistance in the form of the Entrusted Loans granted to CEC Technology Group for a period of up to 1 year after the Completion or 31 December 2016 (whichever is earlier) at a maximum amount of RMB1.2 billion (equivalent to approximately HK$1.5 billion). We consider that the New Cap for the year ending 31 December 2016 is justifiable.

Interest rate (the "Interest Rate")

The Group shall pay an interest in respect of the outstanding loan amount drawn down by CEC Technology Group under the Entrusted Loans to CECH Group such that the aggregate interest payable by the Group to CECH Group would be equal to the amount calculated at the rate of 7% per annum on the outstanding amount of such loans as from the date of the Equity Transfer Completion.

With reference to the Board Letter and as confirmed by the Directors, the 7% per annum is determined based on CECH's internal borrowing costs.

With reference to the interim report of the Company for the six months ended 30 June 2015, the bank loans of the Group currently ranging from 5.9% to 12% per annum. The Interest Rate falls into the said ranges. In addition, we have for our due diligence purpose, obtained a list from the Company which illustrated the interest rates of existing loans of the Group in similar nature to the Entrusted Loans and we found that the interest rate of Entrusted Loans are lower than the interest rates of existing loans of the Group in similar nature to the Entrusted Loans. As such, we consider that the Interest Rate is acceptable.

Share Charge

In consideration of CECH Group continuing to provide the Entrusted Loans in favour of CEC Technology Group after the Equity Transfer Completion, the Group shall procure BVI 3A, a wholly-owned subsidiary of the Company, to enter into the Share Charge in favour of CECM, pursuant to which BVI 3A will charge 375,118 shares of HK 3A (representing approximately 31.51% of the issued share capital of HK 3A as at the Latest Practicable Date) in favour of CECM.

The value of the charged HK 3A shares, as disclosed in the Joint Announcement, among other things, the average closing price (the "**Average Closing Price**") of Shares over the 20 Business Days immediately preceding the date of the Equity Interest Transfer Agreement with a 40% discount (the "**Charge Discount**") times the number of Shares in issue upon Completion (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares) times the percentage of the said share capital of HK 3A being charged under the Share Charge, which shall not be less than RMB1.2 billion (equivalent to approximately HK$1.5 billion). As advised by the Directors, upon the Completion, HK 3A will be interested in (i) CEC Technology Group; and (ii) subsidiaries which operates the existing business of the Group. Accordingly, the market value of the Company may reflect the value of HK 3A. We have enquired into and discussed with the Directors regarding the basis of adopting the Charge Discount. After discussion with the Directors, we concur with the Directors' view that (i) under a hypothetical situation that a bulk amount of shares of a listed company are disposed for cash for the compensation of a default loan, there will likely be a price slump in such shares; (ii) HK 3A is an unlisted company, the shares of which are lack of trading liquidity; and (iii) there is value associated with the listing status of a company. For our due diligence purpose, we have also discussed the terms of the Similar Loans with the Directors and understand from them that the Similar Loans are secured by charges over the shares of the Company's subsidiaries and/or properties of the Group. As such, we consider the basis of adopting the Charge Discount to be justifiable.

Set out below is the relevant figures which facilitate our assessment on the Share Charge:

1.	**The Average Closing Price**	**RMB0.96**
	The Average Closing price with a 40% Charge Discount (A)	
	Which was calculated by:	
	RMB0.96 × (1 – 40%) = 0.576	**RMB0.576**
2.	**Number of Shares in issue upon the Completion (B)**	**8,000,000,000**
3.	**Implied value of HK 3A** ***(Note 1)***	
	which was calculated by:	
	(A) The average Closing Price with a 40% Charge Discount × (B) Number of Shares in issue upon the Completion = (C) Implied value of HK 3A	
	(A) 0.576 × (B) 8,000,000,000 = (C) 4,608,000,000 (in HK$)	**HK$4,608,000,000**
4.	**Percentage of issued share capital of HK 3A to be charged**	
	which was calculated by:	
	(D) Share Charge/(C) Implied value of HK 3A = (E) Percentage of issued share capital of HK3A to be charged	
	(D) RMB1,200,000,000 × 1.21 *(Note 2)*/ HK$4,608,000,000 = (E) 31.51%	**31.51%**

Number of issued shares of HK 3A to be charged	
Which was calculated by:	
(E) Percentage of issued share capital of HK 3A to be charged × (F) number of issued share capital of HK 3A = (G) Number of issued shares of HK 3A to be charged	
(E) 31.51% × (F) 1,190,476 = (G) 375,118	**375,118**

Notes:

1. The implied value of HK 3A is arrived with reference to the market capitalisation of the Company and the adoption of the Charge Discount.

2. The exchange rate of RMB1.00 = HK$1.21 has been used for purpose of illustration only.

Having considered the aforesaid calculation, we consider that 375,118 shares of HK 3A (representing approximately 31.51% of the issued share capital of HK 3A as at the Latest Practicable Date) to be charged in favour of CECM is fair and reasonable.

In light of the above basis of the Non-exempt Continuing Connected Transaction, we are of the view that the Non-exempt Continuing Connected Transaction are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Independent Shareholders as a whole.

3. The Special Deal

With reference to the Board Letter, since the charge of 375,118 shares of HK3A in favour of CECM, a wholly-owned subsidiary of CECH, pursuant to the terms of the Share Charge is not capable of being extended to all the shareholders of the Company and that CECH will become a shareholder of the Company upon Completion, the transaction contemplated under the Share Charge also constitutes a special deal under Rule 25 of the Takeovers Code, which requires, amongst other things, the consent of the Executive. The Company will make an application to the Executive for the consent to proceed with the transactions contemplated under the Share Charge. The Executive will normally grant consent to a special deal provided that (i) Gram Capital publicly stating that in its opinion, the terms of the Share Charge are fair and reasonable; and (ii) the approval of the Independent Shareholders voting by way of poll at the EGM.

As confirmed by the Directors, only CECH had expressed an interest on the Share Charge up to the date of the Equity Interest Transfer Agreement. Having considered that (i) the Share Charge as concluded above are in the interests of the Company and the Independent Shareholders as a whole given the reasons as set forth under the section headed "Reasons for and benefits of the Non-exempt Continuing Connected Transactions" of this letter, (i.e. (a) the low interest rate of the Entrusted Loans compared to the existing loans of the Group in similar nature of the Entrusted Loans; (b) CEC Technology Group is still in development stage, by utilizing the Entrusted Loan as the capital resources for the development of CEC Technology Group may allow the Group to retain its own financial resources; and (c) the prospects of the Group); and (ii) the terms of the Non-exempt Continuing Connected Transactions and Share Charge are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the Special Deal is also fair and reasonable so far as the Independent Shareholders are concerned.

Recommendation

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Non-exempt Continuing Connected Transactions and transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Non-exempt Continuing Connected Transactions and transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Listing Rules IBC and the Code IBC (as the case may be) to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions and transactions contemplated thereunder and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the years ended 31 December 2012, 2013 and 2014 and for the six months period ended 30 June 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ovuni.com):

- the Company's prospectus dated 18 March 2014 (pages I-4 to I-123);
- the Company's annual report for the year ended 31 December 2013 published on 28 April 2014 (pages 65 to 152);
- the Company's annual report for the year ended 31 December 2014 published on 23 April 2015 (pages 99 to 188); and
- the Company's announcement published on 15 December 2015 (pages 5 to 77).

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, details of which were extracted from the above published prospectus, annual reports and announcement of the Company.

Consolidated statements of profit or loss

	Years ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Turnover	1,812,014	1,966,348	1,928,948	553,622	427,974
Gross profit	576,636	712,190	682,661	211,714	180,007
Results from operating activities	434,330	550,430	595,475	195,942	190,380
Profit before taxation	447,058	593,781	632,018	193,723	200,702
Income tax	(169,357)	(255,227)	(211,700)	(60,223)	(78,414)
Profit for the year/period	277,701	338,554	420,318	133,500	122,288
Attributable to:					
Equity shareholders of the Company	211,276	320,869	415,190	130,676	117,942
Non-controlling interests	66,425	17,685	5,128	2,824	4,346
Profit for the year/period	277,701	338,554	420,318	133,500	122,288
Basic earnings per share (RMB cents)	8.38	11.62	11.03	3.71	2.95
Dividend proposed after the end of the reporting period	—	101,566	103,283	—	—
Dividend per share (HKD cents)	—	3.20	3.20	—	—

Consolidated statements of financial position

	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total Assets	5,548,491	7,083,471	8,133,041	8,552,415
Total liabilities	4,160,124	5,418,355	5,548,002	5,946,376
Net assets	1,388,367	1,665,116	2,585,039	2,606,039

The auditor of the Company for the three years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015 was KPMG.

The auditor of the Company has not issued any qualified opinion on the financial statements of the Group for each of the years ended 31 December 2012, 2013 and 2014. There were no exceptional or extraordinary items which are exceptional because of size, nature or incidence, for each of the three years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015. The Company did not declare any dividend for the year ended 31 December 2012 and for the six months ended 30 June 2014 and 2015. The Board recommended a final dividend of HKD 3.2 cents per share for the year ended 31 December 2013 and 2014 respectively, such dividends were fully paid on 30 June 2014 and 2015, respectively.

The following is the full text of audited consolidated financial statements of the Group for the six months ended 30 June 2015 as extracted from the Company's announcement published on 15 December 2015.

Consolidated statement of profit or loss
Six months ended 30 June

	Note	2015 RMB'000	2014 RMB'000 (unaudited)
Turnover	2	427,974	553,622
Cost of sales		(247,967)	(341,908)
Gross profit		180,007	211,714
Other income	3	1,798	1,148
Selling and distribution expenses		(30,742)	(28,917)
Administrative expenses		(83,378)	(64,329)
Other expenses	3	(5,301)	(264)
Results from operating activities before changes in fair value of investment properties		62,384	119,352
Increase in fair value of investment properties	11	127,996	76,590
Results from operating activities after changes in fair value of investment properties		190,380	195,942
Finance income		18,314	6,402
Finance costs		(1,202)	(11,169)
Net finance income/(costs)	4(a)	17,112	(4,767)
Share of losses of associates		(1)	(190)
Share of (losses)/profits of joint ventures		(6,789)	2,738
Profit before taxation		200,702	193,723
Income tax	5	(78,414)	(60,223)
Profit for the period		122,288	133,500
Attributable to:			
Equity shareholders of the Company		117,942	130,676
Non-controlling interests		4,346	2,824
Profit for the period		122,288	133,500
Basic earnings per share (RMB cents)	8	2.95	3.71

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in Note 27(b).

Consolidated statement of profit or loss and other comprehensive income
Six months ended 30 June

	Note	2015 RMB'000	2014 RMB'000 (unaudited)
Profit for the period		122,288	133,500
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries in other jurisdictions, net of nil tax	9	(347)	(15)
Other comprehensive income for the period		(347)	(15)
Total comprehensive income for the period		121,941	133,485
Attributable to:			
Equity shareholders of the Company		117,595	130,661
Non-controlling interests		4,346	2,824
Total comprehensive income for the period		121,941	133,485

Consolidated statement of financial position

	Note	**At 30 June 2015** *RMB'000*	**At 31 December 2014** *RMB'000*
Non-current assets			
Property, plant and equipment	*10*	282,648	278,784
Investment properties	*11*	689,950	527,510
Intangible assets	*12*	4,220	4,354
Interest in associates		3,760	761
Interest in joint ventures	*14*	37,260	165,249
Other investments	*15*	11,000	10,000
Deferred tax assets	*25(b)*	62,935	67,963
		1,091,773	1,054,621
Current assets			
Properties under development	*16*	3,101,657	2,545,744
Completed properties held for sale	*17*	1,988,653	1,993,088
Inventories and contracting work-in-progress	*18*	280,242	243,855
Trade and other receivables	*19*	1,132,544	1,215,158
Current tax assets	*25(a)*	14,282	3,800
Restricted cash	*20*	284,873	139,798
Cash and cash equivalents	*21(a)*	658,391	936,977
		7,460,642	7,078,420
Current liabilities			
Trade and other payables	*22*	2,144,264	1,964,900
Loans and borrowings	*23*	1,427,246	1,170,800
Corporate bonds payable	*24*	280,696	384,627
Current tax liabilities	*25(a)*	68,439	134,743
Current portion of deferred income	*26*	4,167	4,006
		3,924,812	3,659,076
Net current assets		3,535,830	3,419,344
Total assets less current liabilities		4,627,603	4,473,965

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current liabilities			
Loans and borrowings	23	1,067,650	968,046
Corporate bonds payable	24	806,697	802,637
Deferred tax liabilities	25(b)	109,714	82,187
Non-current portion of deferred income	26	37,503	36,056
		2,021,564	1,888,926
Net assets		2,606,039	2,585,039
Capital and reserves			
Share capital	27	316,800	316,800
Reserves	27	2,048,315	2,032,420
Total equity attributable to equity shareholders of the Company		2,365,115	2,349,220
Non-controlling interests	27	240,924	235,819
Total equity		2,606,039	2,585,039

Consolidated statement of changes in equity

		Attributable to equity shareholders of the Company								
	Note	**Share capital** *RMB'000* *Note 27(a)*	**Share premium** *RMB'000*	**Other reserves** *RMB'000* *Note 27(f)*	**Exchange reserve** *RMB'000* *Note 27(e)*	**Statutory reserve** *RMB'000* *Note 27(d)*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000* *Note 27(g)*	**Total equity** *RMB'000*
At 1 January 2015		316,800	284,062	584,780	957	233,594	929,027	2,349,220	235,819	2,585,039
Changes in equity for the six months ended 30 June 2015:										
Profit for the period		—	—	—	—	—	117,942	117,942	4,346	122,288
Other comprehensive income		—	—	—	(347)	—	—	(347)	—	(347)
Total comprehensive income for the period		—	—	—	(347)	—	117,942	117,595	4,346	121,941
Acquisition of equity interests from a non-controlling equity holder		—	(759)	—	—	—	—	(759)	759	—
Dividends approved in respect of previous year	27(b)	—	—	—	—	—	(100,941)	(100,941)	—	(100,941)
At 30 June 2015		316,800	283,303	584,780	610	233,594	946,028	2,365,115	240,924	2,606,039
(Unaudited)										
At 1 January 2014		8	—	584,780	782	198,396	650,459	1,434,425	230,691	1,665,116
Changes in equity for the six months ended 30 June 2014:										
Profit for the period		—	—	—	—	—	130,676	130,676	2,824	133,500
Other comprehensive income		—	—	—	(15)	—	—	(15)	—	(15)
Total comprehensive income for the period		—	—	—	(15)	—	130,676	130,661	2,824	133,485
Capital injection from non-controlling equity holders		—	—	—	—	—	—	—	196	196
Dividends approved in respect of previous year	27(b)	—	—	—	—	—	(101,376)	(101,376)	—	(101,376)
Issue of new shares under initial public offering ("IPO"), net of listing expenses		79,200	523,855	—	—	—	—	603,055	—	603,055
Capitalisation issue	27(c)	237,592	(237,592)	—	—	—	—	—	—	—
At 30 June 2014		316,800	286,263	584,780	767	198,396	679,759	2,066,765	233,711	2,300,476

Consolidated statement of cash flows
Six months ended 30 June

	Note	2015 RMB'000	2014 RMB'000 (unaudited)
Operating activities			
Cash generated from/(used in) operations	*21(b)*	50,084	(576,795)
Income tax paid		(122,646)	(87,081)
Net cash used in operating activities		(72,562)	(663,876)
Investing activities			
Interest received		18,654	5,503
Investment income received		413	961
Proceeds from disposal of property, plant and equipment		760	131
Proceeds from sales of other investments		—	122,220
Payment for the purchase of property, plant and equipment and construction in progress		(16,634)	(14,156)
Payment for the acquisition of interest in associates		(3,000)	—
Acquisition of intangible assets		(8)	(101)
Acquisition of joint ventures		(3,800)	—
Proceed from capital reduction in a joint venture		60,000	—
Acquisition of other investments		(1,000)	—
Net cash generated from investing activities		55,385	114,558

	Note	**2015** *RMB'000*	**2014** *RMB'000* (unaudited)
Financing activities			
Net (repayment of)/proceeds from corporate bonds		(101,000)	592,200
Proceeds from initial public offering		—	591,073
Proceeds from loans and borrowings		1,259,000	1,294,594
Repayment of bank and other loans		(902,950)	(1,212,418)
Repayment of loans from a related party		(88,623)	(165,028)
Increase in restricted cash		(145,075)	(15,001)
Interest and other borrowing costs paid		(181,824)	(93,685)
Dividend paid to equity shareholders of the Company		(100,941)	(93,945)
Capital injection from non-controlling equity holders in connection with reorganisation		—	196
Net cash (used in)/generated from financing activities		(261,413)	897,986
Net (decrease)/increase in cash and cash equivalents		(278,590)	348,668
Cash and cash equivalents at 1 January		936,977	1,163,239
Effect of foreign exchange rate changes		4	(635)
Cash and cash equivalents at 30 June	*21*	658,391	1,511,272

Notes to the financial statements

(Expressed in thousand of Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Optics Valley Union Holding Company Limited (the "Company") was incorporated in the Cayman Islands which shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 March 2014. The consolidated financial statements for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures. They were authorised for issue by the Company's board of directors on 7 December 2015.

(b) Basis of preparation and statement of compliance

These consolidated financial statements are non-statutory financial statements of the Company and they have been prepared for the use of the management of the Company only.

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB").

The IASB has issued certain new and revised IFRSs that are first effective in the current period. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

— Annual Improvements to IFRSs 2010–2012 Cycle

— Annual Improvements to IFRSs 2011–2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amendments to IFRSs are discussed below:

Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Basis of measurement

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data, as the Group's principal activities were carried out in the People's Republic of China (the "PRC"). They are prepared on the historical cost basis except for investment properties (See Note 1(l)) and certain financial assets (See Note 1(h)), which are stated at their fair value.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 31.

(f) Basis of consolidation

(i) ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) ***Non-controlling interests ("NCI")***

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) ***Loss of control***

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that is no evidence of impairment.

(g) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associates or the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(h)).

(h) Financial instruments

(i) *Derivative financial assets*

Derivative financial assets are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(ii) *Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as held-for-trading comprise short-term sovereign debt securities actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see Note 1(m)).

Held-to-maturity financial assets comprise debt securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 1(m)).

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 1(m)) and foreign exchange differences on available-for-sale debt instruments (see Note 1(v)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

(iii) ***Non-derivative financial liabilities***

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

(iv) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(i) **Property, plant and equipment**

(i) ***Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

— the cost of materials and direct labour;

— any other costs directly attributable to bringing the assets to a working condition for their intended use;

— when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

— capitalised borrowing costs.

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) *Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) *Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iv) *Depreciation*

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current period of significant items of property, plant and equipment are as follows:

	Years	**Estimated residual value as a percentage of costs**
Buildings	20–30	3%–5%
Machines	3–10	3%–5%
Motor vehicles	5–10	3%–10%
Furniture, office equipment and others	3–10	3%–10%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 1(l)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 1(l)) or is held for development for sale (see Note 1(n)).

(k) Intangible assets

(i) *Intangible assets*

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 1(m)).

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) *Amortisation*

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current period are as follows:

Computer software with finite useful lives is amortised from the date it is available for use and its estimated useful lives is 3 to 10 years.

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

(l) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and properties that are being constructed or developed for future use as investment properties.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(t)(ii).

(m) Impairment

(i) *Non-derivative financial assets*

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(m)(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— ***Properties held for development for sale***

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realizable value is determined by reference to management estimates based on prevailing market conditions.

— ***Properties under development for sale***

The cost of properties under development for sale comprises specifically identified cost, including: land use right (see Note 1(j)), aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— ***Completed properties held for sale***

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(o) Inventories

Inventories mainly include construction materials, pesticide products and low value consumables. Inventories are stated at cost and comprise all costs of purchase. They are computed on a weighted average basis, less provision for obsolescence. When inventories are consumed, the carrying amount of inventories is recognised as an expense in the period in which the consumption occurs. Any obsolete and damaged inventories are written off to the profit or loss.

(p) Construction contracts in progress

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date (see Note 1(t)(v)) less progress billings and recognised losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as trade and other receivables. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue. Advances received from customers are presented as deferred income/revenue.

(q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group participate in retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the PRC. The contribution to the retirement plan is calculated based on fixed rates of the employees' salaries cost and charged to profit or loss as and when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(r) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) *Current tax*

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

— temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

— taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) ***Tax exposures***

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) ***Financial guarantees issued***

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) ***Other provisions and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sales of properties*

Revenue from sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the buyers.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Energy supply initial fee*

Fees received for energy supply initial fee are deferred and recognised over the expected service period.

(iv) *Service fee income*

Service fee income in relation to design and development management services, property management service, advertising service and other ancillary services are recognised when such services are provided to customers.

(v) *Construction contracts*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliable, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(vi) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets upon meeting the relevant conditions, if any, attaching to them.

(u) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(v) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of group's companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (ii)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the translation differences is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amounts is reclassified to profit or loss.

(w) Related parties

(i) A person, or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER AND SEGMENT REPORTING

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. The operating segments with similar economic characteristics have been aggregated to form the following reportable segments.

— Property development: this segment develops and sells industrial parks and residential properties. Currently the Group's activities in this regard are carried out in the PRC.

— Construction contract: the revenue of this segment recognised results from the development of a number of office and residential buildings for some of the Group's customers. These buildings are constructed based on specifically negotiated contracts with customers. Currently the Group's activities in this regard are carried out in the PRC.

— Property leasing: this segment leases office units to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.

— Development management services: this segment provides construction management for the projects under construction. Currently the Group's activities in this regard are carried out in the PRC.

— Business operation services: this segment provides property management and other services for the completed projects of industrial parks and residential properties. Currently the Group's activities in this regard are carried out in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include non-current assets and current assets with the exception of deferred tax assets and certain assets unallocated to an individual reportable segment. Segment liabilities include non-current liabilities and current liabilities with the exception of income tax payable, deferred tax liabilities and certain liabilities unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at adjusted profit from operations, the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as directors' remuneration, auditors' remuneration and other head office or corporate administrative expenses.

In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue (including inter-segment sales), interest income from bank deposits, interest expenses, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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

For the six months ended 30 June 2015

	Property development	**Construction contract**	**Property leasing**	**Development management services**	**Business operation services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	270,942	29,167	15,883	3,868	108,114	427,974
Inter-segment revenue	—	100,663	22	171	19,134	119,990
Reportable segment revenue	270,942	129,830	15,905	4,039	127,248	547,964
Reportable segment profit/(loss)	51,684	(3,657)	10,601	3,327	11,046	73,001
Finance income	9,729	7,992	—	—	593	18,314
Finance costs	(493)	(709)	—	—	—	(1,202)
Depreciation	(5,633)	(4,362)	—	—	(2,278)	(12,273)
Amortisation	(76)	(12)	—	—	(54)	(142)
Share of losses of associates	(1)	—	—	—	—	(1)
Share of losses of joint ventures	(6,789)	—	—	—	—	(6,789)
Increase in fair value of investment properties	127,696	200	—	—	100	127,996

For the six months ended 30 June 2014 (unaudited)

	Property development	Construction contract	Property leasing	Development management services	Business operation services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	395,273	31,753	16,883	26,156	83,557	553,622
Inter-segment revenue	—	184,403	343	1,122	28,464	214,332
Reportable segment revenue	395,273	216,156	17,226	27,278	112,021	767,954
Reportable segment profit/(loss)	86,953	(4,488)	11,172	25,684	7,845	127,166
Finance income	5,032	1,154	—	—	216	6,402
Finance costs	(2,489)	(8,680)	—	—	—	(11,169)
Depreciation	(3,376)	(4,257)	—	—	(1,012)	(8,645)
Amortisation	(246)	(25)	—	—	(46)	(317)
Share of losses of associates	(190)	—	—	—	—	(190)
Share of profits of joint ventures	2,738	—	—	—	—	2,738
Increase in fair value of investment properties	76,190	200	—	—	200	76,590

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000	*RMB'000* (unaudited)
Revenue		
Reportable segment revenue	547,964	767,954
Elimination of inter-segment revenue	(119,990)	(214,332)
Consolidated revenue	427,974	553,622
Profits		
Reportable segment profit derived from Group's external customers	73,001	127,166
Increase in fair value of investment properties	127,996	76,590
Share of losses of associates	(1)	(190)
Share of (losses)/profits of joint ventures	(6,789)	2,738
Other income	1,798	1,148
Finance income	18,314	6,402
Finance costs	(1,202)	(11,169)
Depreciation and amortisation	(12,415)	(8,962)
Consolidated profit before tax	200,702	193,723

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	8,371,729	7,891,624
Equity-accounted investees	41,020	166,010
Other unallocated amounts	139,666	75,407
Consolidated total assets	8,552,415	8,133,041
Liabilities		
Reportable segment liabilities	5,945,638	5,542,729
Other unallocated amounts	738	5,273
Consolidated total liabilities	5,946,376	5,548,002

(c) Geographical information

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC. The Group has a large number of customers and there was no significant revenue derived from specific external customers for the six months ended 30 June 2015 and 2014.

3 OTHER INCOME AND OTHER EXPENSES

Other income

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
		(unaudited)
Government grants *(Note)*	1,439	506
Net gain on disposal of non-current assets	1	—
Compensation income	243	429
Others	115	213
	1,798	1,148

Note: For the six months ended 30 June 2015 and 2014, the Group received government subsidies from different local government bureaus as a recognition of the Group's contribution in the relevant districts.

Other expenses

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Net loss on disposal of property, plant and equipment	—	(32)
Penalty	(2,929)	(59)
Others	(2,372)	(173)
	(5,301)	(264)

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance (income)/costs

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Finance income		
Interest income	(17,901)	(5,408)
Net realised and unrealised gains on other investments	(413)	(961)
Net foreign exchange gain	—	(33)
Sub-total	(18,314)	(6,402)
Finance costs		
Interest expenses	131,724	129,616
Capitalised interest expenses *(Note)*	(130,544)	(118,447)
	1,180	11,169
Net foreign exchange loss	22	—
Sub-total	1,202	11,169
Net finance (income)/costs	(17,112)	4,767

Note: The borrowing costs have been capitalised at rates ranging from 5.93% to 12.00% (2014: 6.00% to 12.00%) per annum (see Note 23) for the six months ended 30 June 2015.

(b) Staff costs

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Salaries, wages and other benefits	110,816	110,067
Contributions to defined contribution pension schemes	6,922	6,289
	117,738	116,356

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution pension schemes (the "Schemes") which are administered and operated by the relevant local government authorities. The Group is required to make contributions to the Schemes from 18% to 20% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Depreciation	12,273	8,645
Amortisation	142	317
Auditor's remuneration	500	500
Cost of properties sold	128,710	241,330
Cost of construction and goods sold	40,197	29,649
Rentals receivable from investment properties	(15,883)	(16,883)
Less: Direct outgoings	86	50
Operating lease charges	1,723	2,152

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000 (unaudited)
Current tax		
PRC Corporate Income Tax ("CIT") for the period	18,084	37,864
PRC Land Appreciation Tax ("LAT") for the period	27,775	13,151
	45,859	51,015
Deferred tax		
Origination and reversal of temporary differences *(Note 25(b))*	32,555	9,208
Total income tax expense	78,414	60,223

(b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000 (unaudited)
Profit before taxation	200,702	193,723
National tax on profit before taxation calculated at the standard tax rate applicable in the jurisdiction concerned *(Note (i) to (iii))*	50,176	48,569
Tax effect of non-deductible expenses	5,351	601
Tax effect of non-taxable losses/(income)	1,697	(2,867)
Tax effect of unused tax losses not recognised	1,631	2,066
Tax effect of adopting prescribed tax calculation method by PRC subsidiaries *(Note (iii))*	(2,240)	2,225
PRC dividend withholding tax *(Note (v))*	968	562
LAT in relation to completed properties sold *(Note (iv))*	27,775	13,152
Tax effect of LAT	(6,944)	(4,085)
Income tax expense	78,414	60,223

(i) Pursuant to the rules and regulations of the British Virgin Island ("BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

(ii) No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014.

(iii) Effective from 1 January 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified. According to the approval from the tax authority in Wuhan, Hubei Province, Wuhan Lido Technology Co., Ltd. and Wuhan Jitian Construction Co., Ltd.'s assessable profits were calculated based on 8% of their gross turnover for the six months ended 30 June 2015.

(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.

(v) According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. On this basis, the Group has made provision of withholding income tax on the distributable profits generated by PRC subsidiaries.

6 DIRECTORS' REMUNERATION

	Six months ended 30 June 2015				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Huang Liping	—	546	525	8	1,079
Hu Bin	—	488	534	8	1,030
Chen Huifen	—	410	351	8	769
Non-executive directors					
Lu Jun	—	—	—	—	—
Shu Chunping	—	—	—	—	—
Zhang Jie	—	—	—	—	—
Independent non-executive directors					
Zhang Shuqin	—	96	—	—	96
Leung Man Kit	—	118	—	—	118
Qi Min	—	96	—	—	96
	—	1,754	1,410	24	3,188

	Six months ended 30 June 2014 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Huang Liping	—	286	758	12	1,056
Hu Bin	—	275	758	12	1,045
Chen Huifen	—	188	470	12	670
Non-executive directors					
Lu Jun	—	—	—	—	—
Shu Chunping	—	—	—	—	—
Zhang Jie	—	—	—	—	—
Independent non-executive directors					
Zhang Shuqin	—	—	—	—	—
Leung Man Kit	—	—	—	—	—
Qi Min	—	—	—	—	—
	—	749	1,986	36	2,771

No directors of the Company waived or agreed to waive any remuneration during the six months ended 30 June 2015 and 2014.

During the six months ended 30 June 2015 and 2014, there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office.

The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the six months ended 30 June 2015 and 2014.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the six months ended 30 June 2015, of the five individuals with the highest emoluments, three are directors of the Company whose emoluments are disclosed in Note 6 (six months ended 30 June 2014: three). The aggregate of the emoluments in respect of the other two (six months ended 30 June 2014: two) individuals are as follows:

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Salaries and other emoluments	1,035	1,249
Retirement scheme contributions	16	24
	1,051	1,273

The emoluments of these two individuals with the highest emoluments are within the following bands:

	Six months ended 30 June	
	2015	**2014**
		(unaudited)
Nil to HK$1,000,000	2	2

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB117,942,000 (six months ended 30 June 2014: RMB130,676,000) and the deemed weighted average number of 4,000,000,000 ordinary shares (six months ended 30 June 2014: 3,524,862,000 ordinary shares) in issue for the six months ended 30 June 2015, after adjusting for the capitalisation issue on 28 March 2014 (see Note 27). The deemed weighted average number of shares is calculated as follows:

The weighted average number of shares in issue for the six months ended 30 June 2014 consisted of 3,000,000,000 ordinary shares issued at 1 January 2014, comprising 100,000 ordinary shares issued in previous years and 2,999,900,000 ordinary shares issued pursuant to the capitalisation issue, as if the shares were outstanding from 1 January 2014, and 1,000,000,000 ordinary shares issued on 28 March 2014 under IPO.

	Six months ended 30 June	
	2015	**2014**
	'000	*'000*
		(unaudited)
Deemed weighted average number of shares		
Issued ordinary shares at 1 January	4,000,000	3,000,000
Effect of issuance of new shares	—	524,862
Deemed weighted average number of shares at 30 June	4,000,000	3,524,862

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2015 and 2014 and therefore, diluted earnings per share are not presented.

9 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China, net of nil tax	(347)	(15)

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machines	Motor vehicles	Furniture, office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2014	88,268	72,123	29,127	18,395	3,772	211,685
Transfer from construction in progress	—	9,401	—	2,065	(11,466)	—
Transfer from inventory	—	—	—	—	105,936	105,936
Other additions	—	12	1,743	7,845	7,937	17,537
Disposals	—	—	(1,216)	(250)	—	(1,466)
Other reduction	(1,743)	—	—	—	—	(1,743)
At 31 December 2014	86,525	81,536	29,654	28,055	106,179	331,949
At 1 January 2015	86,525	81,536	29,654	28,055	106,179	331,949
Transfer from construction in progress	70,538	—	—	—	(70,538)	—
Other additions	263	85	518	2,056	13,974	16,896
Disposals	—	(156)	(902)	(269)	(156)	(1,483)
At 30 June 2015	157,326	81,465	29,270	29,842	49,459	347,362
Accumulated depreciation:						
At 1 January 2014	(4,724)	(9,505)	(14,676)	(7,340)	—	(36,245)
Charge for the year	(2,901)	(6,305)	(4,465)	(4,272)	—	(17,943)
Written back on disposals	—	—	815	208	—	1,023
At 31 December 2014	(7,625)	(15,810)	(18,326)	(11,404)	—	(53,165)
At 1 January 2015	(7,625)	(15,810)	(18,326)	(11,404)	—	(53,165)
Charge for the period	(2,716)	(3,925)	(2,802)	(2,830)	—	(12,273)
Written back on disposals	—	32	437	255	—	724
At 30 June 2015	(10,341)	(19,703)	(20,691)	(13,979)	—	(64,714)
Net book value:						
At 30 June 2015	146,985	61,762	8,579	15,863	49,459	282,648
At 31 December 2014	78,900	65,726	11,328	16,651	106,179	278,784

The buildings are all situated on land in the PRC held under medium-term leases.

As at 30 June 2015, certain buildings of the Group with an aggregate carrying value of RMB128,027,000 (31 December 2014: RMB62,177,000) were without building ownership certificates. As at 30 June 2015, the Group was in progress of obtaining the relevant building ownership certificates.

As at 30 June 2015, property, plant and equipment that were fully depreciated but still in use were amounted to RMB9,548,000 (31 December 2014: RMB8,092,000).

Property, plant and equipment with an aggregate carrying value of RMB28,030,000 (31 December 2014: RMB61,386,000) as at 30 June 2015 were pledged for certain bank loans granted to the Group (see Note 23).

11 INVESTMENT PROPERTIES

(a) Reconciliation of carrying value

	Investment properties
	RMB'000
At 1 January 2014	298,200
Additions	123,930
Fair value adjustment	105,380
At 31 December 2014	527,510
Representing:	
Cost	225,176
Valuation	302,334
	527,510
At 1 January 2015	527,510
Additions	34,444
Fair value adjustment	127,996
At 30 June 2015	689,950
Representing:	
Cost	259,620
Valuation	430,330
	689,950
Book value:	
At 30 June 2015	689,950
At 31 December 2014	527,510

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 12 years. No contingent rents are charged. See Note 29 for further information.

As at 30 June 2015, the fair values of the Group's completed investment properties of RMB599,450,000 (31 December 2014: RMB474,010,000) and investment properties under development of RMB90,500,000 (31 December 2014: RMB53,500,000) were arrived at on the basis of a valuation carried out by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors.

Investment properties comprise a number of commercial and residential properties.

As at 30 June 2015, certain investment properties of the Group with carrying value of RMB444,500,000 (31 December 2014: RMB285,300,000) (including investment properties under development of RMB90,500,000 (31 December 2014: RMB53,500,000)), were without building ownership certificates. The Group was in progress of obtaining the relevant building ownership certificates.

Certain bank loans granted to the Group were jointly secured by certain investment properties with an aggregate fair value of RMB30,337,000 (31 December 2014: RMB33,357,000) as at 30 June 2015 (see Note 23), and certain properties under development and completed properties held for sale of the Group (see Notes 16 and 17).

All investment properties of the Group were revalued as at 30 June 2015 and 31 December 2014 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

(b) Fair value measurement of properties

Fair value hierarchy

The table below analyses recurring investment properties carried at fair value, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

— Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

— Level 3: unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*
At 30 June 2015			
Investment properties	—	—	689,950
At 31 December 2014			
Investment properties	—	—	527,510

There were no transfers between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfers out of level 3 as of the date of the event or change in circumstances that caused the transfer.

The Group's investment properties were revalued as at 30 June 2015 and 31 December 2014 by an independent firm of surveyors, Savills, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Investment properties are accounted for using the fair value model.

The following table shows the valuation techniques used in the determination of fair values within level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation models.

	Valuation technique	Significant unobservable inputs	Range
At 30 June 2015			
Investment properties	Income capitalisation method	Market monthly rental rate (RMB/sq.m.)	17.0–99.4
		Capitalisation rate	3.8%–7.0%
At 31 December 2014			
Investment properties	Income capitalisation method	Market monthly rental rate (RMB/sq.m.)	17.0–90.0
		Capitalisation rate	3.8%–7.0%

The fair value of investment properties are determined using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate. As at 30 June 2015, it is estimated that with all other variables held constant, an increase/decrease in market monthly rental rate by 5% would have increased/decreased in Group's profit by RMB27,050,000 (31 December 2014: RMB21,886,000). The fair value measurement is also negatively correlated to capitalisation rate. As at 30 June 2015, it is estimated that with all other variables held constant, a decrease/increase in capitalisation rate by 0.5% would have increased/decreased the Group's profit by RMB40,480,000 (31 December 2014: RMB32,890,000).

12 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At 1 January 2014	6,173
Additions	705
Disposals	(21)
At 31 December 2014	6,857
At 1 January 2015	6,857
Additions	8
At 30 June 2015	6,865
Accumulated amortisation:	
At 1 January 2014	(1,841)
Charge for the year	(682)
Disposals	20
At 31 December 2014	(2,503)
At 1 January 2015	(2,503)
Charge for the period	(142)
At 30 June 2015	(2,645)
Net book value:	
At 30 June 2015	4,220
At 31 December 2014	4,354

13 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of principal subsidiaries of the Group as at 30 June 2015. The class of shares held is ordinary unless otherwise stated. The particulars of these subsidiaries are set out below:

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
AAA Holdings Limited (“BVI 3A”)	17 June 1997 BVI	USD100/ USD50,000	100%	—	Investment holding
AAA Finance & Investment Limited (“HK 3A”) 三A銀信投資有限公司	13 December 1996 Hong Kong	HK$1,190,476/ HK$10,000,000	—	100%	Investment holding
United Real Estate (Wuhan) Co., Ltd. (“Wuhan United Real Estate”) 聯合置業(武漢)有限公司*	23 July 1993 The PRC	RMB100,000,000	—	100%	Property development
Wuhan Optics Valley Union Group Co., Ltd. (“Wuhan OVU”) 武漢光谷聯合集團有限公司*	24 July 2000 The PRC	RMB480,000,000	—	100%	Property development
Wuhan Optics Valley Financial Harbour Development Co., Ltd. (“OV Financial Harbour Development”) 武漢光谷金融港發展有限公司*	24 July 2008 The PRC	RMB10,000,000	—	100%	Property development
Huangshi Optics Valley Union Development Co., Ltd. (“Huangshi OVU Development”) 黃石光谷聯合發展有限公司*	24 January 2005 The PRC	RMB100,000,000	—	100%	Property development
Qingdao Optics Valley Union Development Co., Ltd. (“Qingdao OVU Development”) 青島光谷聯合發展有限公司*	1 September 2011 The PRC	RMB200,000,000	—	100%	Property development

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Wuhan Xuefu Property Co., Ltd. ("Wuhan Xuefu") 武漢學府房地產有限公司*	29 April 1999 The PRC	RMB60,000,000	—	51%	Property development
Hubei Huisheng Technology Development Co., Ltd. ("Hubei Huisheng") 湖北匯盛科技發展有限公司*	8 December 2005 The PRC	RMB21,000,000	—	100%	Property development
Wuhan Minghong Technology Development Co., Ltd. ("Wuhan Minghong") 武漢鳴鴻科技發展有限公司*	8 February 2001 The PRC	RMB30,000,000	—	100%	Property development
Wuhan Optics Valley Union Architectural Design Institute Co., Ltd. ("OVU Architectural Design Institute") 武漢光谷聯合建築設計研究院有限公司*	21 April 2011 The PRC	RMB6,000,000	—	100%	Property development
Wuhan Lido Technology Co., Ltd. ("Wuhan Lido Technology") 武漢麗島科技有限公司*	13 December 2000 The PRC	RMB190,000,000	—	100%	Construction services
Wuhan Lido Curtain Wall Manufacture Co., Ltd. ("Wuhan Lido Curtain Wall") 武漢麗島幕牆製造有限公司*	17 November 2011 The PRC	RMB10,000,000	—	100%	Construction services
Wuhan Jitian Construction Co., Ltd. ("Wuhan Jitian Construction") 武漢吉天建設工程有限公司*	11 June 2001 The PRC	RMB210,000,000	—	100%	Construction services

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company Direct	Effective interest held by the Company Indirect	Principal activities
Wuhan Optics Valley Energy Conservation Technology Co., Ltd. ("OV Energy Conservation Technology") 武漢光谷節能技術有限公司*	26 July 2010 The PRC	RMB60,000,000	—	87%	Energy-saving technique development
Wuhan Lido Property Management Co., Ltd. ("Wuhan Lido Property Management") 武漢麗島物業管理有限公司*	19 July 2000 The PRC	RMB210,000,000	—	100%	Property management services
Wuhan Quanpai Catering Management Co., Ltd. ("Wuhan Quanpai Catering Management") 武漢全派餐飲管理有限公司*	7 June 2011 The PRC	RMB3,000,000	—	100%	Catering services
Wuhan Qianbao Media Co., Ltd. ("Wuhan Qianbao Media") 武漢市千寶廣告傳播有限公司*	29 December 2003 The PRC	RMB300,000	—	100%	Advertising services
Wuhan Optics Valley Union Real Estate Agency Co., Ltd. 武漢光谷聯合不動產營銷代理有限公司*	16 September 2011 The PRC	RMB5,000,000	—	100%	Property agency services
Shenyang Optics Valley Union Development Co., Ltd. ("Shenyang OVU Development") 瀋陽光谷聯合發展有限公司*	29 May 2012 The PRC	RMB100,000,000	—	100%	Property development
Hubei Technology Enterprise Accelerator Co., Ltd. ("Hubei Technology Enterprise Accelerator") 湖北科技企業加速器有限公司*	18 May 2012 The PRC	RMB150,000,000	—	80%	Property development

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company Direct	Effective interest held by the Company Indirect	Principal activities
Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. ("Energy Conservation Technology Park Co") 武漢光谷節能科技園有限公司*	8 December 2011 The PRC	RMB200,000,000	—	70%	Property development
Wuhan Financial Harbour Development Co., Ltd. ("Financial Harbour Co") 武漢金融港開發有限公司*	5 December 2011 The PRC	RMB200,000,000	—	70%	Property development
Wuhan Optics Valley Software Park Co., Ltd. ("Optics Valley Software Park") 武漢光谷軟件園有限公司*	8 September 2005 The PRC	RMB10,000,000	—	100%	Property development
Wuhan Lido Real Estate Agent Co., Ltd. 武漢麗島房地產代理有限公司*	20 February 2012 The PRC	RMB1,000,000	—	100%	Property agency service
Wuhan Lido Human Resources Service Co., Ltd. 武漢麗島人力資源服務有限公司*	15 May 2012 The PRC	RMB500,000	—	100%	Human resources service
Wuhan Shangyuan Construction Labor Co., Ltd. 武漢尚源建築勞務有限公司*	19 November 2012 The PRC	RMB5,000,000	—	100%	Supporting service for construction
Wuhan Ziyuan Hotel Management Co., Ltd. 武漢紫緣酒店管理有限公司*	1 February 2013 The PRC	RMB2,000,000	—	100%	Hotel management
Wuhan Optics Valley Energy Conservation Engineering Co., Ltd 武漢光谷節能工程有限公司*	23 January 2013 The PRC	RMB5,000,000	—	100%	Electrical and mechanical service

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Hefei Optics Valley Union Development Co., Ltd ("Hefei OVU Development") 合肥光谷聯合發展有限公司*	13 September 2013 The PRC	RMB100,000,000	—	80%	Property development
Wuhan Creative Capital Commercial Management Co., Ltd 武漢創意天地商業管理有限公司*	27 March 2014 The PRC	RMB5,000,000	—	100%	Hotel management
Hubei Qianbao Design and Engineering Co., Ltd 湖北千寶設計工程有限公司*	14 April 2014 The PRC	RMB10,000,000	—	100%	Electrical and mechanical service
Wuhan Ziyuantang Art Co., Ltd 武漢紫緣堂藝術品有限公司*	15 February 2015 The PRC	RMB100,000,000	—	100%	Exhibition and Art-related service

* *These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these entities are in Chinese.*

14 INTEREST IN JOINT VENTURES

The Group has the following interests in a material joint venture:

Name of company	Place of establishment	Paid-in/ registered capital At 30 June 2015	At 31 December 2014	Effective interest held by the Group at 30 June 2015 and 31 December 2014	Principal activity
		RMB'000	*RMB'000*		
Wuhan Mason Property Company Limited ("Wuhan Mason") 武漢美生置業有限公司*	The PRC	30,000 *(Note)*	150,000	50%	Property development

Note: During the six months ended 30 June 2015, the registered capital of Wuhan Mason was reduced by RMB120,000,000. Such amount was returned to its equity holders in the proportion of their equity interests.

* *The entity is a PRC limited liability company. The English translation of the company name is for reference only. The official name of the entity is in Chinese.*

Summary financial information on the material joint venture for the six months ended 30 June 2015 and the year ended 31 December 2014 — Group's effective interest:

	Six months ended 30 June 2015	**Year ended 31 December 2014**
	RMB'000	*RMB'000*
Turnover	4,497	233,539
Cost of sales	(9,114)	(142,706)
Expenses	(4,519)	4,128
Income tax expenses	—	(23,774)
(Loss)/profit for the period/year	(9,136)	71,187

	At 30 June 2015	**At 31 December 2014**
	RMB'000	*RMB'000*
Non-current assets	395	405
Current assets	36,201	217,984
Non-current liabilities	(997)	(997)
Current liabilities	(10,573)	(58,230)
	25,026	159,162
Revaluation surplus on acquisition	8,434	8,434
Elimination of unrealised profit on downstream sales	—	(2,347)
Carrying amount in the consolidated financial statements	33,460	165,249

Aggregate information of joint ventures that are not individually material:

	At 30 June 2015	**At 31 December 2014**
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	3,800	—

These joint ventures were set up in May 2015 without operation.

15 OTHER INVESTMENTS

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Equity securities — unlisted *(Note (i))*	11,000	10,000

Notes:

(i) The Group has the following material equity securities-unlisted as at 30 June 2015 and 31 December 2014:

Name of company	Place of incorporation/ establishment	Paid-in/ registered capital *RMB'000*	Interest of the Group At 30 June 2015	Interest of the Group At 31 December 2014	Principal activity
Wuhan Optics Valley Bio-industry Investment Fund Company Limited 武漢光谷生物產業創業投資基金有限公司*	The PRC	150,000/700,000	7.14%	7.14%	Investment fund

* *The entity is a PRC limited liability company. The English translation of the company name is for reference only. The official name of the entity is in Chinese.*

(ii) As at 30 June 2015, the Group's other investments were not considered to be impaired (31 December 2014: Nil).

(iii) The Group's exposure to credit and market risks and fair value information related to other investments are disclosed in Note 28.

16 PROPERTIES UNDER DEVELOPMENT

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

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Expected to be recovered within one year		
Properties under development for sale	2,046,690	1,375,670
Expected to be recovered after more than one year		
Properties held for future development for sale *(Note)*	448,631	538,372
Properties under development for sale	606,336	631,702
	1,054,967	1,170,074
	3,101,657	2,545,744

Note: Properties held for future development for sale is after netting off benefits from government grants of RMB7,836,000 for the six months ended 30 June 2015 (for the year ended 31 December 2014: RMB6,535,000). Pursuant to the agreements between the Group's subsidiaries and local governments, such grants are for subsidising the infrastructure construction of certain projects.

(b) The analysis of carrying value of leasehold land included in properties under development is as follows:

	At 30 June 2015	**At 31 December 2014**
	RMB'000	*RMB'000*
In the PRC, with lease term of 40 years or more	1,203,453	1,292,014

Properties under development with an aggregate carrying value of RMB2,757,447,000 (31 December 2014: RMB2,178,199,000) as at 30 June 2015 were pledged for certain bank loans granted to the Group (see Note 23).

17 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leases between 40 and 70 years. All completed properties held for sale are stated at cost.

No completed properties held for sale as at 30 June 2015 was pledged for certain bank loans granted to the Group (31 December 2014: RMB23,354,000) (see Note 23).

18 INVENTORIES AND CONTRACTING WORK-IN-PROGRESS

	At 30 June 2015	**At 31 December 2014**
	RMB'000	*RMB'000*
Gross amounts due from customers for contract work *(Note (i))*	241,204	234,794
Raw materials	2,038	1,327
Work-in-progress	10,806	7,234
Finished goods	26,194	500
	280,242	243,855

(i) Gross amounts due from customers for contract work

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Cost plus attributable profit less foreseeable losses	266,841	298,917
Less: Progress payments received and receivable	(25,637)	(64,123)
Contracting work-in-progress	241,204	234,794
Representing:		
Gross amounts due from customers for contract work included in inventories and contracting work-in-progress	241,204	234,794

	Six months ended 30 June 2015 *RMB'000*	Six months ended 30 June 2014 *RMB'000* (unaudited)
Carrying amount of inventories recognised as		
— Cost of sales	40,197	29,649

19 TRADE AND OTHER RECEIVABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Amounts due from third parties		
— Trade receivables *(Note (i))*	308,143	392,477
— Bills receivable	1,000	1,700
Amount due from a related party *(Note 32(d))*	—	287
Prepayments		
— for properties held for development *(Note (ii))*	569,146	538,372
— for construction cost and raw materials	39,461	61,417
Prepaid business tax and other tax	24,511	12,208
Others	190,283	208,697
Total	1,132,544	1,215,158

Notes:

(i) Trade receivables are primarily related to the sale of properties and its construction business. Proceeds from the sale of properties are made in bank mortgage loans, lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

The remaining balance of trade receivables is expected to be recovered within one year.

The directors are of the view that all trade receivables are neither individually nor collectively considered to be impaired as at the end of each reporting period.

Amount due from a related party is unsecured, interest free and has no fixed terms of repayment. The details on the Group's credit policy are set out in Note 28(a).

(ii) The Group has entered into a number of contracts of property development projects and has made prepayments in accordance with the terms of these contracts.

(a) Ageing analysis

The ageing analysis of trade receivables and bills receivable based on the date trade receivables and bills receivable recognised, is as follows:

	At 30 June 2015 *RMB'000*	**At 31 December 2014** *RMB'000*
Within 1 month	59,507	234,261
Over 1 month and within 3 months	9,318	2,485
Over 3 months and within 6 months	13,656	17,911
Over 6 months	226,662	139,520
Total	309,143	394,177

(b) The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 30 June 2015 *RMB'000*	**At 31 December 2014** *RMB'000*
Neither past due nor impaired	155,468	318,096
Less than 1 month past due	37,263	28,641
Over 1 month and within 3 months past due	7,494	3,100
Over 3 months and within 6 months past due	45,093	11,006
Over 6 months past due	63,825	33,334
Total	309,143	394,177

20 RESTRICTED CASH

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Pledged for		
— Mortgage loans	3,183	1,411
— Wages guarantee accounts	1,007	1,006
— Bond-issuance bank account	—	131
— Bank acceptance notes	100,000	102,700
— Interest-bearing loans	25,730	34,550
— Supervision bank accounts	154,953	—
Total	284,873	139,798

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Cash at bank and in hand		
— Cash in hand	123	281
— Cash at bank	658,268	936,696
	658,391	936,977

As at 30 June 2015 and 31 December 2014, the cash and bank balances of the PRC subsidiaries of the Group is not freely convertible into other currencies and subject to Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

		Six months ended 30 June	
		2015	**2014**
	Note	*RMB'000*	*RMB'000*
			(unaudited)
Profit before taxation		200,702	193,723
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortisation	*12*	142	317
Depreciation	*10*	12,273	8,645
Loss on disposal of property, plant and equipment	*3*	—	32
Gain on disposal of non-current assets	*3*	(1)	—
Finance income	*4(a)*	(18,314)	(6,402)
Finance costs	*4(a)*	1,202	11,169
Increase in fair value of investment properties	*11*	(127,996)	(76,590)
Share of losses of associates		1	190
Share of losses/(profits) of joint ventures		6,789	(2,738)
		74,798	128,346
Change in assets and liabilities			
Increase in properties under development, completed properties held for sale and inventories and contracting work-in-progress		(441,559)	(483,632)
Decrease/(increase) in trade and other receivables		82,538	(50,740)
Increase/(decrease) in trade and other payables		334,307	(170,769)
Cash generated from/(used in) operations		50,084	(576,795)
Taxation:			
PRC income tax paid		(122,646)	(87,081)
Net cash used in operating activities		(72,562)	(663,876)

22 TRADE AND OTHER PAYABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Amounts due to third parties		
— Trade payables *(Note)*	1,142,057	1,137,163
— Notes payables *(Note)*	42,550	59,950
— Receipts in advance	665,115	368,827
— Accrued payroll	4,485	16,527
Other payables and accruals	225,795	229,835
	2,080,002	1,812,302
Amounts due to non-controlling equity holders	59,262	59,262
Amount due to a related party *(Note 32(d))*	5,000	93,336
	64,262	152,598
Total	2,144,264	1,964,900

Note: The ageing analysis of trade and notes payables based on the date the trade and notes payables recognised, is as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 month	64,880	998,969
Over 1 month and within 12 months	993,308	166,755
Over 12 months	126,419	31,389
	1,184,607	1,197,113

Trade payables mainly represent amounts due to contractors. Payment to contractors is by instalments according to progress and agreed milestones. The Group normally retains 5% of the contract prices as retention payment.

Included in trade payables were retention payables which were expected to be settled after more than one year amounted to RMB47,895,000 as at 30 June 2015 (31 December 2014: RMB85,388,000).

23 LOANS AND BORROWINGS

Interest bearing loans and borrowings were repayable as follows:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Current		
Secured		
— Bank loans	766,000	520,000
— Current portion of non-current bank loans	351,030	237,800
— Current portion of non-current share pledged borrowings	295,216	138,000
— Other borrowings	—	150,000
	1,412,246	1,045,800
Unsecured		
— Bank loans	15,000	125,000
	1,427,246	1,170,800
Non-current		
Secured		
— Bank loans	1,418,680	1,048,630
— Share pledged borrowings	295,216	295,216
Less: Current portion of non-current bank loans	(351,030)	(237,800)
Current portion of non-current share pledged borrowings	(295,216)	(138,000)
	1,067,650	968,046

The Group's current and non-current loans and borrowings were repayable as follows:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Within 1 year or on demand	1,427,246	1,170,800
After 1 year but within 2 years	423,150	507,046
After 2 years but within 5 years	644,500	461,000
	2,494,896	2,138,846

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

As at 30 June 2015 and 31 December 2014, interest bearing loans and borrowings are all denominated in functional currency of respective subsidiaries.

Share pledged borrowings of RMB295,216,000 as at 30 June 2015 and 31 December 2014 were secured by a share pledge on the 80% equity interests of Hefei OVU Development. The share pledged borrowings are entrusted loans provided by a non-controlling equity holder.

The bank loans bear interest ranging from 5.93% to 12.00% (for the year ended 31 December 2014: from 6.00% to 12.00%) per annum for the six months ended 30 June 2015. The bank loans were secured by the following assets:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Investment properties	30,337	33,357
Properties under development	2,757,447	2,178,199
Completed properties held for sale	—	23,354
Property, plant and equipment	28,030	61,386
Total	2,815,814	2,296,296

All of the Group's banking facilities are subject to the fulfillment 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 was to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 28(b). As at 30 June 2015, none of the covenants relating to the drawn down facilities had been breached (31 December 2014: Nil).

24 CORPORATE BONDS PAYABLE

	Six months ended 30 June 2015	Year ended 31 December 2014
	RMB'000	*RMB'000*
As at 1 January	1,187,264	622,190
Net proceeds from bonds issued during the period/year *(Note)*	199,000	590,620
Interests and issue cost amortised during the period/year	51,229	93,594
Interests paid during the period/year	(50,100)	(49,140)
Principal repaid during the period/year	(300,000)	(70,000)
At the end of the period/year	1,087,393	1,187,264
Representing:		
Current portion	280,696	384,627
Non-current portion	806,697	802,637

Note: In October 2013, the Group issued long-term corporate bond with maturity of 6 years with face value of RMB600,000,000 bearing annual interest rate of 7.35%. The actual proceed received by the Group was approximately RMB543,527,000. This bond is denominated in RMB and issued at par. Interest is payable yearly while principal will be repaid when the bond falls due. The annual effective interest rate of this bond is 9.5%. As at 30 June 2015, interest payable for this bond amounted to approximately RMB29,400,000 (31 December 2014: RMB7,350,000).

In March 2014 and June 2014, the Group issued non-public debt financing instruments with maturity of 365 days and 2 years with face value of RMB300,000,000 and RMB300,000,000 bearing annual interest rates of 8.5% and 8.2%, respectively. The actual proceeds received by the Group were approximately RMB298,170,000 and RMB292,450,000. These bonds are denominated in RMB and issued at par. Interest is payable yearly while principal will be repaid when the bonds fall due. The annual effective interest rates of these bonds are 9.2% and 9.6%, respectively. As at 30 June 2015, interest payable for these bonds amounted to approximately RMB nil and RMB1,230,000 (31 December 2014: RMB19,975,000 and RMB13,598,000), respectively. The bond with maturity of 365 days was repaid in 2015.

In March 2015, the Group issued non-public debt financing instrument with maturity of 365 days with face value of RMB200,000,000 bearing annual interest rate of 7.6%. The actual proceed received by the Group was approximately RMB199,000,000. This bond is denominated in RMB and issued at par. Interest and principal will be paid together when the bond falls due. The annual effective interest rate of this bond is 8.14%. As at 30 June 2015, interest payable for this bond amounted to approximately RMB4,856,000.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax assets/(liabilities) in the consolidated statement of financial position represents:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Prepaid PRC Corporate Income Tax	12,496	2,024
Prepaid PRC Land Appreciation Tax	1,786	1,776
Current tax assets recognised in the consolidated statement of financial position	14,282	3,800
PRC Corporate Income Tax	(31,385)	(64,532)
PRC Land Appreciation Tax	(37,054)	(70,211)
Current tax liabilities recognised in the consolidated statement of financial position	(68,439)	(134,743)

(b) Deferred tax assets/(liabilities) recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the six months ended 30 June 2015 and the year ended 31 December 2014 are as follows:

	Temporary differences arising from LAT provision	Revaluation of investment properties	Unused tax losses *(Note)*	Unrealised gain on intra-group transaction	Revaluation arising from business combination	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	18,322	(76,081)	14,207	20,000	(1,041)	10,369	(14,224)
Credited/(charged) to the consolidated statement of profit or loss	(8,294)	(31,999)	4,324	(709)	52	4,071	(32,555)
At 30 June 2015	10,028	(108,080)	18,531	19,291	(989)	14,440	(46,779)
At 1 January 2014	33,127	(49,737)	16,148	19,919	(1,802)	893	18,548
Credited/(charged) to the consolidated statement of profit or loss	(14,805)	(26,344)	(1,941)	81	761	9,476	(32,772)
At 31 December 2014	18,322	(76,081)	14,207	20,000	(1,041)	10,369	(14,224)

Note: In assessing the realisability of deferred tax assets in respect of the Group's subsidiaries which suffered tax losses in current or preceding period, management considers the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB18,531,000 and RMB14,207,000 as at 30 June 2015 and 31 December 2014 respectively as the Group estimates that these subsidiaries have properties development projects which are probable to generate sufficient future taxable profits to support their utilisation.

(ii) Reconciliation to the consolidated statement of financial position:

	At 30 June 2015	**At 31 December 2014**
	RMB'000	*RMB'000*
Net deferred tax assets recognised on the consolidated statement of financial position	62,935	67,963
Net deferred tax liabilities recognised on the consolidated statement of financial position	(109,714)	(82,187)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(r)(ii), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB16,014,000 and RMB9,490,000 as at 30 June 2015 and 31 December 2014 respectively. The directors consider it is not probable that future taxable profits against which the tax losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses will expire in the following years:

	At 30 June 2015	**At 31 December 2014**
	RMB'000	*RMB'000*
2016	5,448	5,448
2017	2,236	2,236
2018	1,010	1,010
2019	796	796
2020	6,524	—

(d) Deferred tax liabilities not recognised

The Group provided deferred tax liabilities on 30% of profit for the period since the Group controls the dividend policy and it has been determined that it will only distribute 30% of the profit for the period in the foreseeable future. At 30 June 2015, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB560,554,000 (31 December 2014: RMB547,925,000). Deferred tax liabilities of RMB28,028,000 (31 December 2014: RMB27,396,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 DEFERRED INCOME

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Connection fee	41,670	40,062
Less: Amount included under current liabilities	4,167	4,006
Amount included under non-current liabilities	37,503	36,056

The deferred income primarily represents the prepaid service fee from customers for energy supply service in the business parks.

27 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The Company was incorporated on 15 July 2013 with authorized capital of 100,000 shares at HK$0.10 per share. As part of the reorganization, the authorized capital of the Company was increased to HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each.

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

		Six months ended 30 June 2015		Year ended 31 December 2014	
	Note	*No. of shares ('000)*	*RMB'000*	*No. of shares ('000)*	*RMB'000*
Ordinary shares, issued and fully paid:					
At 1 January		4,000,000	316,800	100	8
Capitalisation issue	*27(c)*	—	—	2,999,900	237,592
Issue of new shares		—	—	1,000,000	79,200
At the end of the period/year		4,000,000	316,800	4,000,000	316,800

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Dividends

(i) No dividend has been declared in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the profit from the previous financial year, approved during the interim period.

	Six months ended 30 June 2015	2014
	RMB'000	*RMB'000*
		(unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$0.032 per share (six months ended 30 June 2014: HK$0.032 per share) *(Note)*	100,941	101,376

Note: During the six months ended 30 June 2015, approved final dividend was RMB100,941,000 (six months ended 30 June 2014: RMB101,376,000), of which RMB100,941,000 (six months ended 30 June 2014: RMB93,945,000) was paid.

Dividends disclosed for the six months ended 30 June 2015 and 2014 represented dividends declared by the Company/relevant subsidiaries now comprising the Group out of their retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends as appropriate.

(c) Capitalisation issue

Pursuant to written resolutions of the Company's shareholders passed on 12 March 2014, 2,999,900,000 ordinary shares of HK$0.10 each were issued at par value on 28 March 2014 by way of capitalisation of HK$299,990,000 (equivalent to approximately RMB238 million) from the Company's share premium account.

On 28 March 2014, the Company was successfully listed on the Stock Exchange following the completion of its IPO of 1,000,000,000 shares of HK$0.10 each issued at a price of HK$0.83 per share. The proceeds of HK$100,000,000 (equivalent to approximately RMB79 million) representing the par value, were credited to the Company's share capital account. The remaining proceeds of HK$661,435,000 (equivalent to approximately RMB524 million), after the issuing expenses of HK$68,565,000 (equivalent to approximately RMB54 million), were credited to the Company's share premium account.

(d) PRC statutory reserve

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 1(v).

(f) Other reserves

Other reserves are resulted from transactions with owners in their capacity as equity holders. The balances comprise capital reserve surplus/deficit arising from difference between disposal/acquisition consideration and its' net assets at the respective date of disposal/acquisition.

(g) Non-controlling interests

See accounting policy in Note 1(f).

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before and after any intra-group eliminations.

30 June 2015

	Wuhan Xuefu	Hubei Technology Enterprise Accelerator	Energy Conservation Technology Park Co	Financial Harbour Co	OV Energy Conservation Technology	Hefei OVU Development	Intra-group eliminations	Total
In thousands of RMB								
Effective NCI percentage	49%	20%	30%	30%	13%	20%		
Non-current assets	6,509	689	2	23	69,036	94,601		
Current assets	102,195	337,067	294,827	276,442	122,923	873,882		
Non-current liabilities	(668)	(57,200)	—	—	(81,001)	(164,252)		
Current liabilities	(5,916)	(121,576)	(94,922)	(76,526)	(31,430)	(671,251)		
Net assets	102,120	158,980	199,907	199,939	79,528	132,980		
Carrying amount of NCI	50,039	31,796	59,972	59,982	10,601	26,596	1,938	240,924
Revenue	821	14,280	—	—	22,856	—		
Profit	(376)	(876)	(1)	(1)	913	21,736		
Other comprehensive income	—	—	—	—	—	—		
Total comprehensive income	(376)	(876)	(1)	(1)	913	21,736		
Profit allocated to NCI	(184)	(175)	—	—	122	4,347	236	4,346
Other comprehensive income allocated to NCI	—	—	—	—	—	—		
Cash flows from operating activities	(1,663)	(6,477)	(250)	(2)	1,747	(146,569)		
Cash flows from investing activities	326	—	—	—	(823)	(414)		
Cash flows from financing activities (dividends to NCI: nil)	—	55,600	—	—	13,221	125,280		
Net (decrease)/increase in cash and cash equivalents	(1,337)	49,123	(250)	(2)	14,145	(21,703)		

31 December 2014

	Wuhan Xuefu	Hubei Technology Enterprise Accelerator	Energy Conservation Technology Park Co	Financial Harbour Co	OV Energy Conservation Technology	Hefei OVU Development	Intra-group eliminations	Total
In thousands of RMB								
Effective NCI percentage	49%	20%	30%	30%	20%	20%		
Non-current assets	7,232	887	4	23	67,071	56,180		
Current assets	103,745	282,965	294,934	276,443	99,113	565,279		
Non-current liabilities	(658)	(8,000)	—	—	(89,062)	(162,218)		
Current liabilities	(7,823)	(115,996)	(95,029)	(76,527)	(28,508)	(347,996)		
Net assets	102,496	159,856	199,909	199,939	48,614	111,245		
Carrying amount of NCI	50,223	31,971	59,973	59,982	9,723	22,249	1,698	235,819
Revenue	4,688	80,361	—	—	47,162	—		
Profit	2,076	8,049	(1)	—	3,256	11,367		
Other comprehensive income	—	—	—	—	—	—		
Total comprehensive income	2,076	8,049	(1)	—	3,256	11,367		
Profit allocated to NCI	1,017	1,610	—	—	651	2,273	(423)	5,128
Other comprehensive income allocated to NCI	—	—	—	—	—	—		
Cash flows from operating activities	(1,397)	(53,793)	(36)	(584)	(4,733)	(172,762)		
Cash flows from investing activities	—	(93)	—	—	(2,039)	(754)		
Cash flows from financing activities (dividends to NCI: nil)	—	19,800	—	—	11,272	133,980		
Net (decrease)/increase in cash and cash equivalents	(1,397)	(34,086)	(36)	(584)	4,500	(39,536)		

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and receivable from construction contracts, which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in Note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 30.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 19.

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

Details of maturity analysis for financial liabilities are disclosed in Notes 22, 23 and 24.

For the six months ended 30 June 2015

	Carrying amount	Contractual cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	2,494,896	2,743,899	1,561,579	483,618	698,702	—
Corporate bonds payable *(Note)*	1,087,393	1,360,300	583,900	44,100	732,300	—
Amount due to a related party	5,000	5,000	5,000	—	—	—
Amounts due to non-controlling equity holders	59,262	59,262	59,262	—	—	—
Trade and other payables (excluded receipts in advance)	1,414,887	1,414,887	1,366,992	47,895	—	—
At 30 June 2015	5,061,438	5,583,348	3,576,733	575,613	1,431,002	—

For the year ended 31 December 2014

	Carrying amount	Contractual cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	2,138,846	2,344,817	1,283,041	556,451	505,325	—
Corporate bonds payable *(Note)*	1,187,264	1,495,200	394,200	368,700	732,300	—
Amount due to a related party	93,336	93,336	93,336	—	—	—
Amounts due to non-controlling equity holders	59,262	59,262	59,262	—	—	—
Trade and other payables (excluded receipts in advance)	1,443,475	1,443,475	1,358,087	85,388	—	—
At 31 December 2014	4,922,183	5,436,090	3,187,926	1,010,539	1,237,625	—

Note: The RMB600,000,000 long-term corporate bond issued in 2013 is, at the option of the bondholder, redeemable at its par value on the third year (see Note 24).

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted and pledged deposits and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents, restricted and pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans and other borrowings of the Group are disclosed in Note 23. The Group does not carry out any hedging activities to manage its interest rate exposure.

	At 30 June 2015		At 31 December 2014	
	Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*
Net fixed rate borrowings:				
Loans and borrowings	3.61%	1,526,216	5.59%	1,390,216
Long-term corporate bond	9.48%	585,756	9.48%	559,646
Short-term corporate bond	7.60%	204,175	—	—
Long-term non-public debt financing instrument	—	—	9.64%	308,039
Short-term non-public debt financing instrument	8.20%	297,462	9.17%	319,579
Variable rate borrowings:				
Loans and borrowings	5.93%–7.69%	968,680	6.00%–7.69%	748,630
Total net borrowings		3,582,289		3,326,110
Net fixed rate borrowings as a percentage of total net borrowings		72.96%		77.49%

Sensitivity analysis

At 30 June 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB3,633,000 and RMB2,807,000 for the six months ended 30 June 2015 and the year ended 31 December 2014 respectively, in response to the general increase/decrease in interest rates. The sensitivity analysis has not excluded the financial impact of capitalised interest expense.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such a change in interest rates. The analysis is performed on the same basis for the six months ended 30 June 2015.

(d) Currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. Exposures to currency exchange rates arise from certain of the Group's cash and cash equivalents, trade and other receivables and trade and other payables which are denominated in HK$. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Cash and cash equivalents	4,032	15,015
Trade and other receivables	2	2
Trade and other payables	(1,464)	(56)
Net exposure arising from recognised assets and liabilities	2,570	14,961

Sensitivity analysis

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the balance sheets dates, assuming 5% shift of RMB against HK$.

Result from a 5% strengthening of the RMB against HK$ on the profit after tax and retained profits as at 30 June 2015 is RMB96,000 (31 December 2014: RMB562,000). A 5% weakening of the RMB against HK$ as at the same dates would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

(e) Fair value

The carrying amounts of the Group's financial instruments are carried at amounts not materially different from their fair value as at 30 June 2015 and 31 December 2014.

29 COMMITMENTS

(a) Operating lease commitment

— ***Lessor***

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 12 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in Note 11.

The Group's total future minimum lease rental receivable under non-cancellable operating leases are as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 year	26,839	20,491
After 1 year but within 5 years	44,559	34,956
After 5 years	3,084	8,255
	74,482	63,702

— ***Lessee***

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 year	2,148	2,502
After 1 year but within 5 years	1,705	2,734
	3,853	5,236

(b) Commitments related to development expenditure

As at 30 June 2015 and 31 December 2014, commitments outstanding not provided for in the consolidated financial statements are as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Contracted but not provided for	629,443	265,948

30 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties is as follows:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	448,227	306,088

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

31 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 28 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Key sources of estimation uncertainty are as follows:

(a) Write-down of inventories for property development

As explained in Note 1(n), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Construction contracts

As explained in policy Notes 1(p) and 1(t)(v) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 18 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(c) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(d) Provision for PRC LAT

As explained in Note 5(b), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

(e) Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

When the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(f) Valuation of investment properties

As described in Note 11, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

(g) Fair value of non-derivative financial instruments

Fair value of non-derivative financial instruments carried at amortised costs, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

32 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions.

(a) Name and relationship with a related party

Transactions with the following party are considered as related party transactions:

Name of party	**Relationship with the Group**
Wuhan Mason	Joint venture

(b) Key management personnel remuneration:

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 6 and certain of the highest paid employees as disclosed in Note 7, is as follows:

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Wages, salaries and other benefits	9,072	8,702
Retirement scheme contributions	118	176
	9,190	8,878

The above remuneration to key management personnel is included in "staff costs" (see Note 4(b)).

(c) Transactions with a related party

The directors consider that all related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
		(unaudited)
Sales of materials *(Note (i))*	697	245
Business operation service *(Note (ii))*	786	198
Construction contract revenue *(Note (iii))*	156	—
Development management service *(Note (iv))*	144	1,221

Notes:

(i) Wuhan OVU sold certain construction materials to Wuhan Mason.

(ii) Wuhan Lido Property Management provided property management services to Wuhan Mason.

(iii) Wuhan Lido Technology provided construction service to Wuhan Mason.

(iv) Wuhan OVU provided construction management service to Wuhan Mason.

(d) Balances with a related party

Balances with a related party were mainly resulting from the funding arrangements with it. Balances as at 30 June 2015 and 31 December 2014 and major terms of these balances are as follows:

	At 30 June 2015	**At 31 December 2014**
	RMB'000	*RMB'000*
Amount due from a related party		
Trade related:		
Wuhan Mason	—	287
Amount due to a related party		
Non-trade related:		
Other payables to Wuhan Mason	5,000	93,336

The amounts due from/to a related party as at 30 June 2015 and 31 December 2014 were expected to be recovered/repaid within one year.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2015:

Up to the date of this report, the IASB has issued the following new standards, amendments to standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2015, and which have not been adopted in preparing the consolidated financial statements.

Of these developments, the following relate to matter that may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs *2012–2014 cycle*	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of Assets between an investor and its associate or joint venture*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standard is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

34 SUBSEQUENT EVENT

On 17 November 2015, Wuhan OVU, an indirect wholly-owned subsidiary of the Group, has conditionally agreed to sell its 70% equity interests in two of its subsidiaries, namely Energy Conservation Technology Park Co and Financial Harbour Co, to Hubei Science & Technology Investment Group Co., Ltd, a non-controlling equity holder of the Company, at a consideration of RMB267,310,000 and RMB270,122,000 respectively (collectively referred to as the "Disposals"). The Disposals are subject to the fulfilment of certain conditions and obtaining relevant consent as described more fully in the announcement made by the Company dated 17 November 2015. Up to the date of approval of these consolidated financial statements, the Disposals have not yet been completed.

2. INDEBTEDNESS

Loans, borrowings and corporate bonds payable

As at the close of business on 31 December 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Circular, the Enlarged Group had the following outstanding loans, borrowings and corporate bonds payable:

	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans	2,481,420	400,000	2,881,420
Other borrowings and payables	157,216	350,000	507,216
Corporate bonds payable	567,894	524,084	1,091,978
	3,206,530	1,274,084	4,480,614

The secured bank loans of RMB2,481,420,000 were secured by certain investment properties, properties under development, completed properties held for sale, property, plant and equipment and loans deposits of the Enlarged Group. Among which, certain secured bank loans of RMB301,920,000 were also secured by a guarantee from a unrelated guarantee company and its bank deposits. In addition, certain bank loans of RMB755,320,000 held by CEC Technology were secured by way of bank deposits provided by CECM, a subsidiary of CECH.

Other borrowings and payables of RMB157,216,000 were secured by certain equity interests of subsidiaries of the Enlarged Group.

The corporate bonds payable of RMB567,894,000 were secured by certain completed properties held for sale and property, plant and equipment of the Enlarged Group.

As at 31 December 2015, certain bank loans of the Enlarged Group were secured by the followings assets:

	Total
	RMB'000
Investment properties	189,926
Properties under development	2,274,502
Completed properties held for sale	1,047,864
Property, plant and equipment	48,655
Restricted cash — loans deposits	26,922
	3,587,869

Contingent liabilities

In accordance with market practice, the Enlarged Group provides guarantees for customers' mortgage loans with PRC banks to facilitate their purchases of the Enlarged Group's pre-sold properties. Guarantees for mortgages on pre-sold properties begin simultaneously with the respective mortgages, and are generally discharged at the earlier of: (i) the customer obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the customer. Pursuant to terms of these guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a customer, the Enlarged Group is responsible to repay to the bank outstanding balance of the mortgage loan as well as accrued interests and penalties owned by the defaulted customer. If the Enlarged Group fails to do so, the mortgagee bank will auction the underlying property and recover the remaining balance from the Enlarged Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the Enlarged Group does not conduct independent credit checks on the customers but rely on the credit checks conducted by the mortgagee banks.

As at 31 December 2015, the outstanding guarantees for mortgage loans by the customer of the Enlarged Group's presold properties were amounted to RMB464,873,000. The Directors believe that in case of default on mortgage loan payments by customers, it is not probable that the Enlarged Group will sustain a loss because the Enlarged Group can take over the ownerships of underlying properties and sell them at fair market values to recover the outstanding balances of mortgage loans the Enlarged Group has guaranteed. The Directors are of the view that the fair value of these guarantees is not significant and the Enlarged Group has not recognized any deferred income in respect of these guarantees.

Save for the aforesaid or otherwise disclosed herein, normal trade payable in the ordinary course of business and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 31 December 2015, any term loans or other borrowings or indebtedness in the nature of borrowing such as bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees, or other material contingent liabilities.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Enlarged Group since 31 December 2015.

3. WORKING CAPITAL

Insofar as the Company is aware, the expected capital commitment concerning the development of industrial parks of CEC Technology amounts to approximately RMB824 million in aggregate, among which, the costs for the development of an existing project in Xi'an are expected to amount to approximately RMB80 million and the costs for future development of Beihai Industrial Park and a new project in Wenzhou, PRC are expected to amount to approximately RMB744 million. As at the Latest Practicable Date, the Group had no capital commitment or financing plan in respect of the projects in Hainan operated by Hainan RSC, an associate company of CEC Technology. Further details concerning the breakdown of the abovementioned expected capital commitment are set out below:

Project	**Estimated construction costs** *(RMB million)*	**Estimated land acquisition costs** *(RMB million)*	**Total amount of capital commitment** *(RMB million)*
Beihai Industrial Park	122	122	244
New project in Wenzhou	250	250	500
Xi'an project (phase II)	80	0	80

Following the Completion, the Group intends to finance the development costs for the Xi'an project partly with proceeds generated from sales of such project and partly through borrowings. In respect of the future development of Beihai Industrial Park and the new project, the Group intends to finance the relevant development costs by way of the proceeds generated from the CECH Subscription.

The Directors are of the opinion that, taking into account of the Enlarged Group's available financial resources, including but not limited to the internally generated cash flows, available banking facilities and cash and cash equivalent and also the effect of the Equity Transfer, the CECH Subscription and the Placing, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Domestic commercial business park development targeting industrial clusters has already entered into the fast track of development. The central government will continue to promote the development of emerging industries by stepping up the development of national innovation model parks, supporting the development of production and high-technology services industries, as well as implementing a series of policies such as the national energy development strategies which prioritize energy conservation. Under the support of the central government's macro policies including the continuing adoption of proactive fiscal policies and steadfast monetary policies, the Group expects that it will bring in new growth opportunities for the business and industrial parks in PRC. Such favourable macro policy environment and strong market demand will be beneficial to the Enlarged Group's existing and potential projects. The Enlarged Group will be committed to enhance and optimise fundamental space and focus on the development of spatial clustering services, business park and information technology-oriented industrial parks.

In responding to the strategy of the country of "mass entrepreneurship and innovation" and leveraging on policy and market advantages, the Enlarged Group will accelerate the transformation of its business/model and strategies to bring new services and businesses. Based on the concept of:

— sharing economy which is a concept originated from economics, refers to gaining profit from transactions on use rights of idle resources among participating entities in the economy without affecting ownership rights; and

— the module of "space + venture investment + venture service" which refers to the business model of the Group's business park.

The Enlarged Group strives to establish O2O venture service platform which it will fully leverage on informationalisation measures such as internet to combine and integrate existing offline services with customer resources, enhance the value of existing services and open up new service markets. The Enlarged Group strives to become a leading integrated service provider for new industries in the Chinese market by contributing value-added, integrated and professional services to the development of the new economy and new industries of China.

5. MATERIAL CHANGE

The Directors confirmed that, as at the Latest Practicable Date, save and except for the followings, they were not aware of any material change in the financial or trading position and outlook of the Group since 30 June 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up:

1. as disclosed in the circular of the Company dated 31 December 2015, the sale and purchase agreement (and the relevant side letter) dated 17 November 2015 entered into between Wuhan OVU as the vendor and Hubei S&T as the purchaser in relation to the sale of the Energy Conservation Technology Park Sale Equity and the assignment of the Energy Conservation Technology Park Sale Debt from Wuhan OVU to Hubei S&T for an aggregate consideration of RMB267,310,067.31 (equivalent to approximately HK$323,445,181.45) in cash;

2. as disclosed in the circular of the Company dated 31 December 2015, the sale and purchase agreement (and the relevant side letter) dated 17 November 2015 entered into between Wuhan OVU as the vendor and Hubei S&T as the purchaser in relation to the sale of the Financial Harbour Sale Equity and the assignment of the Financial Harbour Sale Debt from Wuhan OVU to Hubei S&T for an aggregate consideration of RMB270,122,238.68 (equivalent to approximately HK$326,847,908.80) in cash; and

3. the entering into of the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement, which are expected to improve the financial position and liquidity of the Group.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

25 February 2016

The Directors
Optics Valley Union Holding Company Limited

Dear Sirs,

We report on the financial information of China Electronics Technology Development Co., Ltd. (中國電子科技開發有限公司) (the "Target") and its subsidiaries (together, the "Target Group"), which comprises the consolidated and company balance sheets of the Target as at 31 December 2012, 2013 and 2014 and 30 November 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target for each of the years ended 31 December 2012, 2013 and 2014 and the eleven months ended 30 November 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. The financial information has been prepared by the directors of Optics Valley Union Holding Company Limited (the "Company") and is set out in Sections I to II below for inclusion in Appendix II-A to the circular of the Company dated 25 February 2016 (the "Circular") in connection with the proposed acquisition of the Target by the Company (the "Acquisition").

The Target was incorporated in the People's Republic of China (the "PRC") on 9 April 1988 as a company with limited liability under the Companies Law of the PRC.

As at the date of this report, the Target has direct and indirect interests in the subsidiaries, a joint venture and an associate as set out in Notes 10, 11 and 12 of Section II below.

The consolidated financial statements of the Target for each of the years ended 31 December 2012 and 2013 were audited by China Audit Asia Pacific Certified Public Accountant LLP (中審亞太會計師事務所(特殊普通合夥)). The consolidated financial statements of the Target for the year ended 31 December 2014 was audited by PricewaterhouseCoopers Zhong Tian LLP.

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The directors of the Target for the Relevant Periods are responsible for the preparation of the consolidated financial statements of the Target that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. PricewaterhouseCoopers Zhong Tian LLP has audited the Underlying Financial Statements in accordance with International Standards on Auditing ("ISA") issued by the IASB pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements of the Target with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2014 and the interim report of the Company for the six months ended 30 June 2015 where appropriate.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target and of the Target Group as at 31 December 2012, 2013 and 2014 and 30 November 2015 and of the Target Group's results and cash flows for the Relevant Periods.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II-A to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target for the eleven months ended 30 November 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2014 and the interim report of the Company for the six months ended 30 June 2015 where appropriate.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IASB. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Target Group prepared by the directors of the Company for the Relevant Periods.

Consolidated Balance Sheets

		As at 31 December			As at 30 November
		2012	**2013**	**2014**	**2015**
	Note	*RMB'000* *(Note 1)*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	15,550	19,158	16,908	13,961
Investment properties	*7*	286,792	308,175	322,964	471,143
Land use rights	*8*	1,696	1,290	1,135	23
Investment in a joint venture	*11*	18,260	17,579	16,833	15,004
Investment in an associate	*12*	41,352	28,861	43,789	43,135
Trade and other receivables	*14*	9,011	7,750	400,000	—
Deferred tax assets	*21*	46,369	25,329	24,255	15,730
		419,030	408,142	825,884	558,996
Current assets					
Land use rights held for sale	*13*	4,335	468	468	468
Properties under development	*9*	31,147	70,272	160,612	219,514
Trade and other receivables	*14*	116,941	179,582	172,319	875,035
Available-for-sale financial assets	*15*	—	—	—	17,500
Short-term deposits and investments	*16*	—	—	51,500	—
Cash and cash equivalents	*17*	81,259	35,985	127,047	57,413
		233,682	286,307	511,946	1,169,930
Non-current assets held for sale	*18*	45,650	—	—	—
		279,332	286,307	511,946	1,169,930
Total assets		698,362	694,449	1,337,830	1,728,926

		As at 31 December			As at 30 November
		2012	2013	2014	2015
	Note	*RMB'000* *(Note 1)*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY AND LIABILITIES					
Equity attributable to owner of the Target					
Paid-in capital	*19*	100,000	100,000	100,000	100,000
Other reserves	*19*	71,887	17,962	17,962	17,962
(Accumulated losses)/ Retained earnings		(24,256)	30,908	18,155	64,566
		147,631	148,870	136,117	182,528
Non-controlling interests		24,324	21,742	19,311	32,700
Total equity		171,955	170,612	155,428	215,228
Liabilities					
Non-current liabilities					
Borrowings	*20*	108,487	52,000	999,039	1,000,000
Deferred tax liabilities	*21*	2,435	791	2,742	14,239
		110,922	52,791	1,001,781	1,014,239
Current liabilities					
Advances from customers	*22*	15,208	13,906	23,000	29,565
Trade and other payables	*23*	124,818	37,429	49,035	73,620
Borrowings	*20*	207,400	347,735	52,000	340,000
Income tax payable		68,059	71,976	56,586	56,274
		415,485	471,046	180,621	499,459
Total liabilities		526,407	523,837	1,182,402	1,513,698
Total equity and liabilities		698,362	694,449	1,337,830	1,728,926
Net current (liabilities)/ assets		(136,153)	(184,739)	331,325	670,471
Total assets less current liabilities		282,877	223,403	1,157,209	1,229,467

Balance Sheets of the Target

		As at 31 December			As at 30 November
		2012	**2013**	**2014**	**2015**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment		9,023	8,930	7,716	6,648
Investment properties	*7*	14,974	19,247	21,850	23,670
Investments in subsidiaries	*10*	153,000	238,500	238,500	238,500
Investment in a joint venture	*11*	—	—	62,224	62,224
Investment in an associate	*12*	35,500	400	400	400
Other receivables	*14*	9,011	7,750	400,000	—
		221,508	274,827	730,690	331,442
Current assets					
Amounts due from subsidiaries	*10*	26,186	100,733	286,401	96,464
Other receivables	*14*	20,694	32,049	21,964	704,893
Available-for-sale financial assets	*15*	—	—	—	17,500
Short-term deposits and investments	*16*	—	—	51,500	—
Cash and cash equivalents	*17*	6,946	2,420	52,970	2,809
		53,826	135,202	412,835	821,666
Total assets		275,334	410,029	1,143,525	1,153,108

		As at 31 December			As at 30 November
		2012	2013	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY AND LIABILITIES					
Equity					
Paid-in capital	*19*	100,000	100,000	100,000	100,000
Other reserves	*19*	22,327	22,327	22,327	22,327
(Accumulated losses)/ Retained earnings		(21,224)	(17,523)	(10,882)	13,819
Total equity		101,103	104,804	111,445	136,146
Liabilities					
Non-current liabilities					
Amounts due to subsidiaries	*10*	2,970	2,970	2,970	2,970
Borrowings	*20*	—	—	999,039	1,000,000
Deferred tax liabilities	*21*	2,435	3,568	4,192	4,706
		5,405	6,538	1,006,201	1,007,676
Current liabilities					
Advances from customers		373	—	241	242
Amounts due to subsidiaries	*10*	—	2,500	—	—
Other payables		8,453	5,187	25,638	9,044
Borrowings	*20*	160,000	291,000	—	—
		168,826	298,687	25,879	9,286
Total liabilities		174,231	305,225	1,032,080	1,016,962
Total equity and liabilities		275,334	410,029	1,143,525	1,153,108
Net current (liabilities)/ assets		(115,000)	(163,485)	386,956	812,380
Total assets less current liabilities		106,508	111,342	1,117,646	1,143,822

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Eleven months ended 30 November	
		2012	2013	2014	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 1)			(Unaudited)	
Revenue	*5*	9,015	10,711	5,640	4,842	8,866
Cost of sales	*24*	(5,053)	(6,021)	(1,799)	(1,268)	(3,075)
Gross profit		3,962	4,690	3,841	3,574	5,791
Other income and gains — net	*25*	101,704	121,283	34,089	30,103	121,064
Selling and marketing costs	*24*	(6,522)	(4,210)	(6,294)	(5,789)	(3,042)
Administrative expenses	*24*	(34,942)	(37,151)	(39,870)	(32,876)	(25,721)
Operating profit/(loss)		64,202	84,612	(8,234)	(4,988)	98,092
Finance income	*27*	513	203	1,123	801	1,561
Finance costs	*27*	(16,722)	(19,806)	(19,230)	(17,669)	(17,348)
Finance costs — net	*27*	(16,209)	(19,603)	(18,107)	(16,868)	(15,787)
Share of loss of a joint venture	*11*	(858)	(681)	(746)	(639)	(1,829)
Share of profit/(loss) of an associate	*12*	34,321	13,434	14,928	(18,614)	(654)
Profit/(loss) before taxation		81,456	77,762	(12,159)	(41,109)	79,822
Taxation	*28*	(23,008)	(24,580)	(3,025)	(3,074)	(20,022)
Profit/(loss) for the year/period		58,448	53,182	(15,184)	(44,183)	59,800
Total comprehensive income/(loss) for the year/period		58,448	53,182	(15,184)	(44,183)	59,800

		Year ended 31 December			Eleven months ended 30 November	
		2012	2013	2014	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 1)			(Unaudited)	
Profit/(loss) attributable to:						
Owner of the Target		59,939	55,164	(12,753)	(41,905)	46,411
Non-controlling interests		(1,491)	(1,982)	(2,431)	(2,278)	13,389
Total comprehensive income/(loss) attributable to:						
Owner of the Target		59,939	55,164	(12,753)	(41,905)	46,411
Non-controlling interests		(1,491)	(1,982)	(2,431)	(2,278)	13,389
Dividends	*29*	(6,080)	—	—	—	—

Consolidated Statements of Changes in Equity

	Attributable to the owner of the Target					
	Paid-in capital	Other reserve	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 19)	*(Note 19)*				
Balance at 1 January 2012	100,000	69,733	(75,961)	93,772	25,815	119,587
Total comprehensive income for the year	—	—	59,939	59,939	(1,491)	58,448
Transfer to statutory surplus reserve	—	2,154	(2,154)	—	—	—
Dividends	—	—	(6,080)	(6,080)	—	(6,080)
Balance at 31 December 2012	100,000	71,887	(24,256)	147,631	24,324	171,955
Balance at 1 January 2013	100,000	71,887	(24,256)	147,631	24,324	171,955
Total comprehensive income for the year	—	—	55,164	55,164	(1,982)	53,182
Share of movement in reserve of an associate *(Note 12)*	—	75	—	75	—	75
Merger of CEC Xi'an *(Note 1)*	—	(54,000)	—	(54,000)	—	(54,000)
Change in ownership interests in subsidiary without change of control	—	—	—	—	(600)	(600)
Balance at 31 December 2013	100,000	17,962	30,908	148,870	21,742	170,612
Balance at 1 January 2014	100,000	17,962	30,908	148,870	21,742	170,612
Total comprehensive loss for the year	—	—	(12,753)	(12,753)	(2,431)	(15,184)
Balance at 31 December 2014	100,000	17,962	18,155	136,117	19,311	155,428
Balance at 1 January 2015	100,000	17,962	18,155	136,117	19,311	155,428
Total comprehensive income for the period	—	—	46,411	46,411	13,389	59,800
Balance at 30 November 2015	100,000	17,962	64,566	182,528	32,700	215,228
(Unaudited)						
Balance at 1 January 2014	100,000	17,962	30,908	148,870	21,742	170,612
Total comprehensive loss for the period	—	—	(41,905)	(41,905)	(2,278)	(44,183)
Balance at 30 November 2014	100,000	17,962	(10,997)	106,965	19,464	126,429

Consolidated Statements of Cash Flows

		Year ended 31 December			Eleven months ended 30 November	
		2012	2013	2014	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 1)			(Unaudited)	
Cash flows from operating activities						
Cash used in operations	*30*	(112,692)	(57,450)	(148,610)	(183,568)	(372,806)
Interest paid		(22,156)	(21,652)	(20,755)	(19,505)	(18,505)
Income tax paid		—	(1,267)	(15,390)	(15,390)	(312)
Net cash used in operating activities		(134,848)	(80,369)	(184,755)	(218,463)	(391,623)
Cash flows from investing activities						
Payments for investment in a joint venture		(10,050)	—	—	—	—
Payments for available-for-sale financial assets		—	—	—	—	(245,000)
Proceeds from disposal of available-for-sale financial assets		—	—	—	—	227,500
Increase in short-term deposits and investments		—	—	(51,500)	(51,500)	—
Decrease in short-term deposits and investments		—	—	—	—	51,500
Provision of entrusted loan		—	—	(401,765)	(245,000)	(130,000)
Repayment of entrusted loan		—	—	—	—	85,000
Purchases of property, plant and equipment		(3,340)	(7,412)	(1,069)	(910)	(789)
Purchases of investment properties		(16,134)	(15,840)	(445)	(409)	(1,522)
Purchases of land use rights		(526)	—	—	—	—
Proceeds from disposal of 50% equity interest in a joint venture		62,000	—	52,000	52,000	5,000
Proceeds from government grants		51,449	28,245	3,860	3,712	—
Proceeds from disposal of property, plant and equipment	*30*	73	73	—	—	560
Interest received		999	429	11,908	10,018	40,779
Dividend received from an associate		—	—	10,000	10,000	—
Net cash generated from/(used in) investing activities		84,471	5,495	(377,011)	(222,089)	33,028

		Year ended 31 December			Eleven months ended 30 November	
		2012	2013	2014	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 1)			(Unaudited)	
Cash flows from financing activities						
Payment for merger of CEC Xi'an *(Note 1)*		—	(54,000)	—	—	—
Proceeds from borrowings		215,000	351,000	1,154,039	1,084,039	3,380,038
Repayments of borrowings		(206,000)	(267,400)	(501,211)	(376,000)	(3,091,077)
Dividends paid to owner of the Target		(6,080)	—	—	—	—
Net cash generated from financing activities		2,920	29,600	652,828	708,039	288,961
Net (decrease)/increase in cash and cash equivalents		(47,457)	(45,274)	91,062	267,487	(69,634)
Cash and cash equivalents at beginning of the year/period		128,716	81,259	35,985	35,985	127,047
Cash and cash equivalents at end of the year/period	*17*	81,259	35,985	127,047	303,472	57,413

II. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

China Electronics Technology Development Company Limited (中國電子科技開發有限公司) (the "Target") and its subsidiaries (together, the "Target Group") are principally engaged in the development and management of electronic information technology industrial park in the People's Republic of China ("PRC").

The Target is a limited liability company incorporated in the PRC on 9 April 1988 and is wholly-owned by China Electronics Corporation Holdings Company Limited ("CECH"). The ultimate holding company of the Target is China Electronics Corporation Limited ("CEC"). The address of its registered office is 17/F, CEC Building, No. 6, Zhongguancun South Street, Haidian District, Beijing, PRC.

The financial information of the Target Group (the "Financial Information") is presented in the units of Renminbi ("RMB") thousand Yuan, unless otherwise stated.

In 2013, the Target entered into agreements with the other two shareholders of CEC Xi'an (a then associate of the Target Group), China National Software & Service Co., Ltd (中國軟件與技術服務股份有限公司) and the 6th Research Institute of China Electronics Corporation Limited (中國電子信息產業集團有限公司第六研究所), both of whom are under common control of CEC, for the acquisition of their then entire equity interests in CEC Xi'an totalling 38.96% for the cash consideration of RMB54 million. The acquisition of the 38.96% equity interest in CEC Xi'an by the Target was completed in August 2013 and as a result, the Target holds 73.91% equity interest in CEC Xi'an after the transaction. CEC Xi'an has become a subsidiary of the Target since then. The financial statements of CEC Xi'an for the year ended 31 December 2012 are included in the Financial Information using the principles of predecessor accounting. RMB9,000,000, being the difference between the total acquisition costs of RMB54,000,000 and the sum of the 38.96% of the paid-in capital of CEC Xi'an of RMB45,000,000, was made to reserve upon completion of the acquisition of CEC Xi'an in 2013.

The effects arising from the common control combination on the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2012 and total equity at 31 December 2012 are summarised as follows:

	The Target Group	**CEC Xi'an**	**Adjustments**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000* *(Note (b))*	*RMB'000*
The consolidated statements of comprehensive income for the year ended 31 December 2012:				
Revenue	9,015	—	—	9,015
Share of profit of an associate	32,764	—	1,557	34,321
Profit/(loss) for the year	62,606	(5,715)	1,557	58,448

	The Target Group	CEC Xi'an	Adjustments		Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note (a))	*(Note (b))*	
The total equity at 31 December 2012:					
Paid-in capital	100,000	104,100	(104,100)	—	100,000
Other reserves	26,887	—	45,000	—	71,887
(Accumulated losses)/ Retained earnings	(18,390)	(12,569)	—	6,703	(24,256)
Total	108,497	91,531	(59,100)	6,703	147,631
Non-controlling interests	—	—	24,324	—	24,324
Total equity	108,497	91,531	(34,776)	6,703	171,955

	The Target Group	CEC Xi'an	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
The consolidated statement of cash flows for the year ended 31 December 2012:			
Net cash used in operating activities	(64,909)	(69,939)	(134,848)
Net cash generated from/(used in) investing activities	85,148	(677)	84,471
Net cash generated from financing activities	2,920	—	2,920

(a) The adjustment represented an adjustment to eliminate the share capital of CEC Xi'an against the investment cost and recognize the non-controlling interests of CEC Xi'an.

(b) The adjustment represented an adjustment to eliminate the share of loss of CEC Xi'an which was picked up in previous years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information of the Target Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

(a) ***New and amendments to standards and interpretations***

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2015, are consistently applied to the Target Group for the Relevant Periods.

The following new standards and amendments to standards have been issued but are effective for annual periods beginning after 1 January 2015 and have not been early adopted by the Target Group.

IAS 16 and IAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation (effective from 1 January 2016)
IFRS 9	Financial instruments (effective from 1 January 2018)
IFRS 15	Revenue from contracts with customers (effective from 1 January 2018)
IFRS 16	Leases (effective from 1 January 2019)
IAS 1 (amendments)	Disclosure initiative (effective from 1 January 2016)
IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016)
IAS 27 (amendments)	Equity method in separate financial statements (effective from 1 January 2016)
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project (effective from 1 January 2016)

The Target Group is in the process of making an assessment of the impact of the above standards and amendments to standards on the Financial Information in their initial applications.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the Financial Information are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for the Relevant Periods.

(b) ***Going concern basis***

As at 30 November 2015, the Target Group had borrowings totalling RMB1,340,000,000 comprising a bank borrowing of RMB1,000,000,000 and entrusted loan from CECH of RMB340,000,000.

As at 14 December 2015, Optics Valley Union Holding Company Limited ("OVU"), a third party and AAA Finance & Investment Limited ("HK 3A"), a wholly-owned subsidiary of OVU entered into an equity interest transfer agreement ("Equity Interest Transfer Agreement") with CECH, pursuant to which CECH has agreed to sell 100% equity interest in the Target to OVU and HK 3A for a consideration of 1,058,530,083 new OVU shares. Upon completion of the above equity interest transfer, the Target will become a wholly-owned subsidiary of OVU and HK 3A.

As at 30 November 2015, the bank borrowing of RMB1,000,000,000was secured by way of bank deposits provided by China Electronics Corporation Management Limited ("CECM"), a wholly-owned subsidiary of CECH, both of which will mature in January 2017. The entrusted loan of RMB340,000,000 was provided by CECH. Pursuant to the Equity Interest Transfer Agreement, CECH and CECM will continue to provide such financial assistance in the form of the charge over deposits and the entrusted loans arrangements in favour of the Target Group for a period of up to one year from the completion of the equity interest transfer (which is expected in June 2017) or 31 December 2016, whichever is the earlier, for a maximum aggregate amount of RMB1,200,000,000. In December 2015, the Target Group repaid RMB244,680,000 and reduced its bank borrowing as at 31 December 2015 to RMB1,095,320,000.

The maturity dates of the Target Group's borrowings are less than one year from the date of the Financial Information. In assessing whether the Target Group will continue as a going concern for the next 12 months from the date of the Financial Information, the directors of the Target has relied on the committed interest-free and unsecured loans of up to RMB1,300,000,000 provided by OVU.

Taking into account the financial resources available to the Target Group, including the internally generated funds, the available committed borrowing facilities and the aforesaid financial support provided by OVU, the directors of the Company consider that there are sufficient resources available to the Target Group to meet the liabilities as and when they fall due and to carry on its business for the next 12 months from the date of the Financial Information. Accordingly, the directors of the Company have prepared the Financial Information on a going concern basis.

2.2 Subsidiaries

2.2.1 *Consolidation*

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

Apart from the application of predecessor accounting on the common control combination as disclosed in Note 2.2.1 (c) below. The Target Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Target Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Target Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Common control combination*

Predecessor accounting is used to account for the acquisition of subsidiaries under common control by the Target Group. Under predecessor accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, whichever is shorter and regardless of the effective date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet dates or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination is recognised as an expense in the period in which it is incurred.

The difference between the share capital of entities combined and the fair value of consideration paid has been recorded in the reserve in consolidated financial statements.

(d) *Disposal of subsidiaries*

When the Target Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Target Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Target Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Target Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associates and the Target Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Target Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Target Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the Target Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Target Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Target Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Target Group and its associates are recognised in the Target Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint arrangement

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Target Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint venture is accounted for using the equity method of accounting. Under the equity method, interest in a joint venture is initially recognised at cost and adjusted thereafter to recognise the Target Group's share of post-acquisition profit or loss and movements in other comprehensive income. The Target Group's investment in a joint venture includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Target Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Target Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the joint venture), the Target Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Target Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Target Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to "share of result of a joint venture" in profit or loss.

Unrealised gains on transactions between the Target Group and its joint venture are eliminated to the extent of the Target Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the Target operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the Target's functional currency and the Target Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	5–10 years
Office equipment and others	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) — net" in the consolidation statements of comprehensive income.

Construction in progress represents the direct costs of construction incurred in property less any impairment losses. No provision for depreciation is made on construction in progress until such time that the relevant assets are completed and available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Target Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Target Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Changes in fair values are recognised in profit or loss as part of a valuation gain or loss in "other income and gains/(losses) — net".

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is under construction or development for future use as investment property is classified as investment property under construction. Where fair value of investment properties under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is accounted for as a revaluation gain or loss. Increases are recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases are recognised in profit or loss. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss, and the remaining part of the increase is recognised in other comprehensive income and increases revaluation surplus within equity. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.8 Properties under development

Properties under development are stated at the lower of cost and net realisable value, and included in inventories. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion or by management estimates based on prevailing market conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction of the relevant property development project is expected to complete beyond normal operating cycle.

2.9 Land use rights

The Target Group made upfront payments to obtain operating leases of land use rights. For the land use rights, the upfront payments are recorded as a separate asset and are amortised to profit or loss on a straight-line basis over their lease periods. For the land use rights held for sale, the upfront payments are recorded as land use rights held for sale. Land use rights held for sale are stated at the lower of cost and net realisable value.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered from impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.12 Financial assets

2.12.1 ***Classification***

The Target Group classifies its financial assets into two categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Target Group's loans and receivables comprise "trade and other receivables", "short-term deposits and investments", and "cash and cash equivalents" in the consolidated balance sheets.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives financial assets that are either designated in this category or not classified in the other category. They are included in non-current assets unless management intends to dispose of the investment within 1 year of the balance sheet date, which are classified as current assets.

2.12.2 *Recognition and measurement*

Regular way purchases and sale of financial assets are recognised on the trade-date — the date on which the Target Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. However, for available-for-sale financial assets that do not have a quoted market price, the range of reasonable fair value estimates is significant and the possibilities of the various estimates cannot be reasonably assessed, is stated at cost. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in fair value of available-for-sale financial assets are recognised in other comprehensive income until the financial asset is disposed of or determined to be impaired. Dividend income from available-for-sale financial assets is recognised in profit or loss as part of "other income and gains/(losses) — net" when the Target Group's right to receive payments is established. Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of "other income and gains/(losses) — net".

When available-for-sale securities are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

2.13 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of related parties to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Target Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IFRS 18 "Revenue", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. Any increase in the liability relating to guarantees is reported in the consolidated statements of comprehensive income within "other gains/losses — net".

Financial guarantee liabilities are derecognised from the consolidated balance sheets when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Target.

2.14 Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in 1 year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Paid-in capital

Paid-in capital is classified as equity. Incremental costs directly attributable to the issue of new paid-in capital are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Current and deferred taxation

The taxation expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred tax*

(i) *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Target Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Target Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

The Target Group participates in employee benefit plans, including pension, medical and other welfare benefits, organised by the government authorities in accordance with relevant regulations. Except for the above social security benefits, the Target Group has no other material commitment to other employee welfare benefits. According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees, subject to certain ceiling. Contributions to the plans are expensed as incurred. The Target Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Target Group's liability in respect of these plans is limited to be contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of The Target Group.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Target Group's activities. Revenue is shown net of discounts. Revenue is recognised as follows:

(a) ***Sales of land use rights***

Revenue from sales of land use rights is recognised when the risks and rewards of land use rights are transferred to the purchasers, which is when the ownership certificates of land use rights have been transferred to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on land use rights sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds from customers under current liabilities.

(b) ***Sales of properties***

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds from customers under current liabilities.

(c) ***Rental income***

Rental income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

2.24 Interest income

Interest income is recognised on a time-proportion using the effective interest method. When a loan and receivable is impaired, the Target Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

2.25 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to land use rights, land use rights held for sale, properties under development, property, plant and equipment and investment properties are deducted from their respective carrying amounts.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Target Group is the lessee — Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(b) The Target Group is the lessor — When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.28 Dividend distribution

Dividend distribution to the Target's owner is recognised as a liability in the Target Group and the Target's financial statements in the period in which the dividends are approved by the Target's owner or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target Group conducts its operations in the PRC and its activities expose it to a variety of financial risks: market risk (mainly fair value interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) ***Market risk***

(i) *Fair value interest rate risk*

Other than deposits held in banks and other financial institutions, entrusted loans and short-term investments, the Target Group does not have significant interest-bearing assets. The average rate on deposits held in banks and other financial institutions at 31 December 2012, 2013 and 2014 and 30 November 2015 was approximately 0.35%, 0.43%, 0.96%, and 0.35% per annum. The entrusted loan to an associate bears interest at 9% per annum and the entrusted loan to a third party bore interest at 20% per annum (Note 14). The average rate on short-term investments at 31 December 2014 was approximately 4.42% per annum (Note 16).

The Target Group's interest rate risk which affects its results and operating cash flows mainly arises from bank and other borrowings. The bank and other borrowings were at fixed rates. The Target Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(b) ***Credit risk***

The credit risk of the Target Group mainly arises from cash and cash equivalents, short-term deposits and investments and trade and other receivables. The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to these financial assets.

As at the balance sheet dates, all the Target Group's deposits are mainly placed in state-owned financial institutions in the PRC. The directors of the Target believes these financial institutions are of high credit quality and do not expect any losses arising from non-performance by these counterparties.

For trade and other receivables, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of the credit quality. Based on the repayment history and the results of assessment of the credit quality of the counterparties, the directors of the Target are of the opinion that the risk of default by these counterparties is not significant.

(c) ***Liquidity risk***

The Target Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Target Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. The Target Group expected to fund the future cash flow needs through internally generated cash flows from operations and committed credit facility.

The table below analyses the Target Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Target Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Later than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012					
Principal of borrowings *(Note 20)*	207,400	56,487	52,000	—	315,887
Interest of borrowings	15,544	5,752	1,744	—	23,040
Trade and other payables (excluding other taxes payable and salary payable)	111,000	—	—	—	111,000
	333,944	62,239	53,744	—	449,927
At 31 December 2013					
Principal of borrowings *(Note 20)*	347,735	52,000	—	—	399,735
Interest of borrowings	12,262	1,708	—	—	13,970
Trade and other payables (excluding other taxes payable and salary payable)	30,827	—	—	—	30,827
	390,824	53,708	—	—	444,532
At 31 December 2014					
Principal of borrowings *(Note 20)*	52,000	999,039	—	—	1,051,039
Interest of borrowings	1,703	22,019	—	—	23,722
Trade and other payables (excluding other taxes payable and salary payable)	41,661	—	—	—	41,661
	95,364	1,021,058	—	—	1,116,422
At 30 November 2015					
Principal of borrowings *(Note 20)*	340,000	1,000,000	—	—	1,340,000
Interest of borrowings	38,972	749	—	—	39,721
Trade and other payables (excluding other taxes payable and salary payable)	65,535	—	—	—	65,535
	444,507	1,000,749	—	—	1,445,256

Target

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2012					
Principal of borrowings *(Note 20)*	160,000	—	—	—	160,000
Interest of borrowings	6,985	—	—	—	6,985
Trade and other payables (excluding other taxes payable and salary payable)	3,457	—	—	—	3,457
Amount due to subsidiaries	—	—	—	2,970	2,970
	170,442	—	—	2,970	173,412
At 31 December 2013					
Principal of borrowings *(Note 20)*	291,000	—	—	—	291,000
Interest of borrowings	11,913	—	—	—	11,913
Trade and other payables (excluding other taxes payable and salary payable)	4,015	—	—	—	4,015
Amount due to subsidiaries	—	—	—	2,970	2,970
	306,928	—	—	2,970	309,898
At 31 December 2014					
Principal of borrowings *(Note 20)*	—	999,039	—	—	999,039
Interest of borrowings	—	18,674	—	—	18,674
Trade and other payables (excluding other taxes payable and salary payable)	23,651	—	—	—	23,651
Amount due to subsidiaries	—	—	—	2,970	2,970
	23,651	1,017,713	—	2,970	1,044,334
At 30 November 2015					
Principal of borrowings *(Note 20)*	—	1,000,000	—	—	1,000,000
Interest of borrowings	14,200	749	—	—	14,949
Other payables (excluding other taxes payable and salary payable)	5,434	—	—	—	5,434
Amount due to subsidiaries	—	—	—	2,970	2,970
	19,634	1,000,749	—	2,970	1,023,353

3.2 Capital management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged from prior year.

The capital structure of the Target Group consists of debts, which includes bank and other borrowings, and equity attributable to owners of the Target, which comprises paid-in capital and reserves.

The Target Group monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and unsecured corporate bonds less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debt.

The Target Group's gearing ratio as at 31 December 2012, 2013 and 2014 and 30 November 2015 is as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings *(Note 20)*	315,887	399,735	1,051,039	1,340,000
Less: Cash and cash equivalents *(Note 17)*	(81,259)	(35,985)	(127,047)	(57,413)
Net debt	234,628	363,750	923,992	1,282,587
Total equity	171,955	170,612	155,428	215,228
Total capital	406,583	534,362	1,079,420	1,497,815
Gearing ratio	58%	68%	86%	86%

The Target Group's gearing ratio increased in the Relevant Periods in line with the increase of borrowings. In the opinion of the directors of the Target, the Target Group's capital risk is not significant.

3.3 Fair value estimation

Financial instruments measured at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable, as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Target Group and Target's financial instruments carried at fair value are categorised into level 3 of the fair value hierarchy.

The following table presents the changes in level 3 instruments:

Available-for-sale financial assets — Wealth management products	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 31 December 2012, 2013 and 2014	—	—	—	—
Additions	—	—	245,000	245,000
Disposals	—	—	(227,500)	(227,500)
Balance at 30 November 2015	—	—	17,500	17,500

See Note 7 and Note 15 for disclosures of the investment properties and available-for-sale assets that are measured at fair value. The fair values of the current portion of trade and other receivables, short term deposits and investments, cash and cash equivalents, trade and other payables, entrustment loans and current borrowings approximate their respective carrying amounts due to their short maturities.

There were no transfers between level 1, 2 and 3 during the Relevant Periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments used in preparing the consolidated financial statements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Income taxes and deferred taxation*

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) *Fair value of investment properties*

The directors assessed the principal assumptions underlying management's estimation of fair value of investment properties of the Target Group annually. The fair value of investment properties are assessed annually by an independent professional valuer. The valuation is principally based on income approach by taking into account the terms of any existing leases and other external evidence such as current market rents or sales for similar types of properties in the locality, and using capitalisation rates that reflect current market expectation for the assets being valued. The valuation techniques and significant assumptions of investment properties are disclosed in Note 7.

(c) *Estimated impairment of receivables*

The Target Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and impairment of receivables in the years in which such estimates have been changed.

5. REVENUE

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of land use rights	5,913	7,575	5	5	—
Sales of properties	—	—	323	323	—
Rental income	3,102	3,136	5,312	4,514	8,866
	9,015	10,711	5,640	4,842	8,866

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012					
Cost	14,114	6,281	2,098	—	22,493
Accumulated depreciation	(1,636)	(1,096)	(707)	—	(3,439)
Net book amount	12,478	5,185	1,391	—	19,054
Year ended 31 December 2012					
Opening net book amount	12,478	5,185	1,391	—	19,054
Additions	561	—	339	2,440	3,340
Government grants received	(3,658)	—	—	(1,050)	(4,708)
Depreciation	(787)	(782)	(431)	—	(2,000)
Disposals	—	(136)	—	—	(136)
Closing net book amount	8,594	4,267	1,299	1,390	15,550
At 31 December 2012					
Cost	11,017	6,145	2,437	1,390	20,989
Accumulated depreciation	(2,423)	(1,878)	(1,138)	—	(5,439)
Net book amount	8,594	4,267	1,299	1,390	15,550
Year ended 31 December 2013					
Opening net book amount	8,594	4,267	1,299	1,390	15,550
Additions	3,059	852	3,100	401	7,412
Government grants received	(1,195)	—	—	—	(1,195)
Transfer	—	—	1,390	(1,390)	—
Depreciation	(1,113)	(484)	(813)	—	(2,410)
Disposals	—	(199)	—	—	(199)
Closing net book amount	9,345	4,436	4,976	401	19,158
At 31 December 2013					
Cost	12,881	6,798	6,927	401	27,007
Accumulated depreciation	(3,536)	(2,362)	(1,951)	—	(7,849)
Net book amount	9,345	4,436	4,976	401	19,158

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014					
Opening net book amount	9,345	4,436	4,976	401	19,158
Additions	196	—	90	783	1,069
Transfer	770	—	—	(770)	—
Depreciation	(1,149)	(572)	(1,028)	—	(2,749)
Disposals	(168)	(378)	—	(24)	(570)
Closing net book amount	8,994	3,486	4,038	390	16,908
At 31 December 2014					
Cost	13,679	6,420	7,017	390	27,506
Accumulated depreciation	(4,685)	(2,934)	(2,979)	—	(10,598)
Net book amount	8,994	3,486	4,038	390	16,908
Period ended 30 November 2015					
Opening net book amount	8,994	3,486	4,038	390	16,908
Additions	—	253	190	346	789
Transfer	75	—	—	(75)	—
Depreciation	(887)	(736)	(943)	—	(2,566)
Disposals	(111)	(744)	—	(315)	(1,170)
Closing net book amount	8,071	2,259	3,285	346	13,961
At 30 November 2015					
Cost	13,574	6,026	7,207	346	27,153
Accumulated depreciation	(5,503)	(3,767)	(3,922)	—	(13,192)
Net book amount	8,071	2,259	3,285	346	13,961

Depreciation charge was expensed in administrative expenses in the consolidated statements of comprehensive income.

The carrying amounts of buildings and construction in progress pledged as collateral for borrowings as at 31 December 2012, 2013 and 2014 and 30 November 2015 were as follows:

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings and construction in progress pledged as collateral for borrowings *(Note 20)*	8,594	9,345	—	—

7. INVESTMENT PROPERTIES

Target Group

	Year ended 31 December			Eleven months ended 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	253,277	286,792	308,175	322,964
Interest capitalised *(Note 27)*	5,384	—	—	—
Transfer from properties under development	—	—	—	71,351
Other additions	16,134	15,840	445	1,522
Government grants received	(46,741)	(15,716)	(4,560)	—
Revaluation gains upon transfer of properties under development to investment properties	—	—	—	74,648
Fair value changes	58,738	21,259	18,904	658
End of the year/period	286,792	308,175	322,964	471,143

The investment properties are located in the PRC and are subject to various tenancies with terms ranging from 1 to 20 years.

Land use rights included in investment properties are located in the PRC and held on leases of between 35 to 50 years.

Amounts recognised in the consolidated statements of comprehensive income for investment properties for each of the years ended 31 December 2012, 2013 and 2014 and the eleven months ended 30 November 2014 and 2015 were as follows:

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income	3,102	3,136	5,312	4,514	8,866
Direct operating expenses arising from investment properties that generate rental income	369	441	278	182	365

The fair value of the Target Group's investment properties at 31 December 2012, 2013, 2014 and 30 November 2015 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, a firm of independent and qualified professional valuers not connected with the Target Group. The valuation was principally based on income approach by taking into account the terms of any existing leases and other external evidence such as current market rents or sales for similar types of properties in the locality, and using capitalisation rates that reflect current market expectation for the assets being valued. For all investment properties, their current uses equates to the highest and best use.

All of the fair value measurements of the Target Group's investment properties were categorised into level 3 of the fair value hierarchy. Details of fair value hierarchy classification are set out in Note 3.3. There were no transfers of fair value measurements into or out of level 3 during the Relevant Periods.

At the end of each of the reporting period, the management of the Target Group works with DTZ Debenham Tie Leung Limited to establish and determine the appropriate valuation techniques and inputs for level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors.

The information about fair value measurement using significant unobservable inputs of the Target Group as at 31 December 2012, 2013 and 2014 and 30 November 2015 were as follows:

Description	**Fair value at 31 December 2012** *RMB'000*	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs/weighted average**	**Relationship of unobservable inputs to fair value**
Industrial and dormitory buildings located in Guangxi Province	271,818	Income approach	Term yield	3.5%–10%	The higher the term yield, the lower the fair value
			Reversionary yield	7%–10%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB10.33–RMB15.23 per square metre	The higher the market rent, the higher the fair value
Office building located in Beijing	14,974	Income approach	Term yield	5.50%	The higher the term yield, the lower the fair value
			Reversionary yield	6.00%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB163 per square metre	The higher the market rent, the higher the fair value
		Direct comparison method	Market price	RMB28,000–RMB32,000 per square metre	The higher the market price, the higher the fair value

Description	Fair value at 31 December 2013 *RMB'000*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs/weighted average	Relationship of unobservable inputs to fair value
Industrial and dormitory buildings located in Guangxi Province	288,928	Income approach	Term yield	3.5%–10%	The higher the term yield, the lower the fair value
			Reversionary yield	7%–10%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB10.43–RMB15.37 per square metre	The higher the market rent, the higher the fair value
Office building located in Beijing	19,247	Income approach	Term yield	6%	The higher the term yield, the lower the fair value
			Reversionary yield	6%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB177.82 per square metre	The higher the market rent, the higher the fair value
		Direct comparison method	Market price	RMB30,500–RMB39,000 per square metre	The higher the market price, the higher the fair value

Description	Fair value at 31 December 2014 *RMB'000*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs/weighted average	Relationship of unobservable inputs to fair value
Industrial and dormitory buildings located in Guangxi Province	301,114	Income approach	Term yield	3.5%–10%	The higher the term yield, the lower the fair value
			Reversionary yield	7%–10%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB11.62– RMB17.09 per square metre	The higher the market rent, the higher the fair value
Office building located in Beijing	21,850	Income approach	Term yield	5.75%	The higher the term yield, the lower the fair value
			Reversionary yield	5.75%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB194 per square metre	The higher the market rent, the higher the fair value
		Direct comparison method	Market price	RMB36,000– RMB39,000 per square metre	The higher the market price, the higher the fair value

Description	Fair value at 30 November 2015 *RMB'000*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs/weighted average	Relationship of unobservable inputs to fair value
Industrial and dormitory buildings located in Guangxi Province	301,473	Income approach	Term yield	3%–10%	The higher the term yield, the lower the fair value
			Reversionary yield	6.5%–10%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB8.84–RMB17.68 per square metre	The higher the market rent, the higher the fair value
Office building located in Beijing	23,670	Income approach	Term yield	5.75%	The higher the term yield, the lower the fair value
			Reversionary yield	5.75%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB195 per square metre	The higher the market rent, the higher the fair value
		Direct comparison method	Market price	RMB35,000–RMB40,000 per square metre	The higher the market price, the higher the fair value
Industrial buildings located in Xi'an	146,000	Income approach	Term yield	6.5%	The higher the term yield, the lower the fair value
			Reversionary yield	7%	The higher the reversionary yield, the lower the fair value
			Market rent	RMB25–RMB30 per square metre	The higher the market rent, the higher the fair value

The fair value of investment properties pledged as collateral for borrowings as at 31 December 2012, 2013 and 2014 and 30 November 2015 were as follows:

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties pledged as collateral for borrowings *(Note 20)*	185,913	133,974	137,397	—

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are shown in Note 31.

As at 31 December 2012, 2013 and 2014 and 30 November 2015, the ownership certificates of certain investment properties of the Target Group with an aggregate fair value of approximately RMB221,183,000, RMB113,448,000, RMB144,958,000, and RMB97,777,000, respectively, had not been obtained by the Target Group. After consultation made with the Target's legal counsel, the directors of the Target consider that there is no legal restriction for the Target Group to apply for and obtain the ownership certificates of these investment properties.

Target

	Year ended 31 December			Eleven months ended 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	13,342	14,974	19,247	21,850
Additions	—	—	445	111
Fair value gains	1,632	4,273	2,158	1,709
End of the year/period	14,974	19,247	21,850	23,670

The investment properties are located in the PRC and are held on lease under two agreements which terminate between 1 and 2 years.

Land use right included in investment properties is located in the PRC and held on leases of 35 years.

The fair value of investment properties pledged as collateral for borrowings as at 31 December 2012, 2013 and 2014 and 30 November 2015 were as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties pledged as collateral for borrowings *(Note 20)*	14,974	—	—	—

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are shown in Note 31.

8. LAND USE RIGHTS

	Year ended 31 December			Eleven months ended 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	1,196	1,696	1,290	1,135
Additions	526	—	—	—
Transfer to properties under development	—	—	(134)	(1,093)
Government grants received	—	(394)	—	—
Amortisation	(26)	(12)	(21)	(19)
End of the year/period	1,696	1,290	1,135	23

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong and in the PRC, held on:				
— Remaining leases of between 10 to 50 years	1,696	1,290	1,135	23

Land use rights are all located in the PRC and for self-use.

The carrying amounts of land use rights pledged as collateral for borrowings as at 31 December 2012, 2013 and 2014 and 30 November 2015 were as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights pledged as collateral for borrowings *(Note 20)*	1,696	1,290	1,135	—

9. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within the normal operating cycle including under current assets — to be realised after one year	31,147	70,272	160,612	219,514
Amounts comprise:				
— Construction cost	11,157	38,261	126,330	183,903
less: government grants received	(11,157)	(22,097)	(22,015)	(22,015)
	—	16,164	104,315	161,888
— Costs of land use rights	31,528	52,643	52,643	52,643
less: government grants received	(664)	(664)	—	—
	30,864	51,979	52,643	52,643
— Interest capitalised	283	2,129	3,654	4,983
	31,147	70,272	160,612	219,514

The carrying value of the land use rights included in properties under development is analysed as follows:

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong and in the PRC, held on:				
— Leases of between 10 to 50 years	30,864	51,979	52,643	52,643

The carrying amounts of properties under development pledged as collateral for borrowings as at 31 December 2012, 2013 and 2014 and 30 November 2015 were as follows:

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development *(Note 20)*	—	12,535	24,264	—

10. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at cost, unlisted	153,000	238,500	238,500	238,500
Amounts due from subsidiaries				
— Dividend receivable	12,000	16,000	46,000	46,000
— Entrusted loan to subsidiaries	—	—	155,000	50,000
— Others	14,186	84,733	85,401	464
	26,186	100,733	286,401	96,464
Amounts due to subsidiaries				
— Non-current portion	2,970	2,970	2,970	2,970
— Current portion	—	2,500	—	—
	2,970	5,470	2,970	2,970

The amounts due from subsidiaries are unsecured. The average rate on entrusted loans to subsidiaries were 5.76% and 6.16% as at 31 December 2014 and 30 November 2015, respectively. As at 31 December 2012, 2013 and 2014 and 30 November 2015, the amounts due from subsidiaries were not impaired.

The amounts due to subsidiaries are unsecured and interest free.

The Target Group has the following principal subsidiaries as at 30 November 2015:

Name	Place of establishment and type of legal entity	Principal place of operation and activities	Registered and paid-in capital	Interest held (Directly)	Proportion of interest held by non-controlling interests
China Electronics Beihai Industrial Park Development Co., Ltd ("CEC Beihai", 中國電子北海產業園發展有限公司)	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB150,000,000	100%	—
CEC Xi'an (中國電子西安產業園發展有限公司)	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB103,500,000	73.91%	26.09%
Chengmai CEC Technology Development Co., Ltd ("CEC Chengmai", 澄邁中電科技開發有限公司)	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB3,000,000	100%	—

Summarised financial information on CEC Xi'an with material non-controlling interests

Set out below are the summarised financial information for CEC Xi'an that has non-controlling interests that are material to the Target Group.

As at 31 December 2012, 2013 and 2014 and 30 November 2015, the total non-controlling interests attributed to Xi'an Economic Development City Investment and Construction Management Co., Ltd. (西安經開城市投資建設管理有限責任公司) are RMB24,324,000, RMB21,742,000, RMB19,311,000 and RMB32,700,000, respectively.

There is no restriction on the cash and cash equivalents to the Target Group.

Summarised balance sheet

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Assets	92,243	90,436	191,733	212,865
Liabilities	(2,424)	(18,661)	(131,041)	(227,738)
Total net current assets	89,819	71,775	60,692	(14,873)
Non-current				
Assets	6,199	11,560	13,325	158,940
Liabilities	(4,487)	—	—	(18,733)
Total net non-current assets	1,712	11,560	13,325	140,207
Net assets	91,531	83,335	74,017	125,334

Summarised income statement

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	—	306	51	47	1,907
(Loss)/Profit before income tax	(7,296)	(9,940)	(12,054)	(11,115)	68,669
Income tax credit	1,581	2,342	2,735	2,385	(17,350)
Post-tax (loss)/profit and total comprehensive loss	(5,715)	(7,598)	(9,319)	(8,730)	51,319
Total comprehensive loss allocated to non- controlling Interests	(1,491)	(1,982)	(2,431)	(2,278)	13,389
Dividends paid to non-controlling Interests	—	—	—	—	—

Summarised cash flows

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities					
Cash used in operations	(69,889)	(46,852)	(114,939)	(79,453)	(102,111)
Interest paid	(50)	—	—	—	—
Income tax paid	—	—	—	—	—
Net cash used in operating activities	(69,939)	(46,852)	(114,939)	(79,453)	(102,111)
Net cash (used in)/ generated from investing activities	(677)	304	10,467	244	130
Net cash generated from financing activities	—	41,960	110,000	110,000	80,000
Net (decreased)/ increase in cash and cash equivalents	(70,616)	(4,588)	5,528	30,791	(21,981)
Cash, cash equivalents at beginning of year/period	93,285	22,669	18,081	18,081	23,609
Cash and cash equivalents at end of year/ period	22,669	18,081	23,609	48,872	1,628

11. INVESTMENT IN A JOINT VENTURE

Target Group

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	—	18,260	17,579	16,833
Capital contributions *(Note (a))*	64,768	—	—	—
Share of loss	(858)	(681)	(746)	(1,829)
Transfer to non-current assets held for sale *(Note 18)*	(45,650)	—	—	—
End of the year/period	18,260	17,579	16,833	15,004

The Target Group has the following joint venture as at 31 December 2012.

Name of entity	Place of establishment and type of legal entity	% of ownership interest	Principal place of operation and activities	Measurement method
Guangxi CEC Future Investment Land Co., Ltd ("Guangxi Future Land", 廣西中電未來投資置業有限公司)	PRC, limited liability company	78.9% *(Note (a))*	PRC, development and management of real estate	Equity

The Target Group has the following joint venture as at 31 December 2013 and 2014 and 30 November 2015.

Name of entity	Place of establishment and type of legal entity	% of ownership interest	Principal place of operation and activities	Measurement method
Guangxi Future Land	PRC, limited liability company	28.9% *(Note (a))*	PRC, development and management of real estate	Equity

(a) In 2012, CEC Beihai together with Guangxi Pufang Investment Management Co., Ltd (廣西浦房投資管理有限公司, "Guangxi Pufang") established a joint venture, Guangxi Future Land. CEC Beihai and Guangxi Pufang held 78.9% and 21.1% equity interest in Guangxi Future Land, respectively. The capital contribution made by CEC Beihai was through injection of land use rights, and the capital contribution made by Guangxi Pufang was through cash of RMB60,000,000. The RMB64,768,000 of capital contribution included RMB14,380,000 of the carrying amount of the land use rights injected, RMB10,050,000 of the related tax and levies paid as a result of the investment and RMB40,338,000 representing the realisation of fair value gain related to 21.1% equity interest held by Guangxi Pufang on the land use rights upon injection into Guangxi Future Land.

On 17 December 2012, CEC Beihai announced an intention to sell its 50% equity interest in Guangxi Future Land (the "Selling Interest") at a consideration of RMB141,410,000 through Shanghai United Assets and Equity Exchange. Guangxi Pufang was interested in acquiring the Selling Interest and had made deposits of RMB72,000,000 in total as of 31 December 2012. The transaction was completed is 2013.

As a result of above transactions, the Target Group holds 28.9% equity interest in Guangxi Future Land.

Pursuant to the articles of association of Guangxi Future Land, all key operating and financial decisions shall be approved by all shareholders. Therefore, Guangxi Future Land has been accounted for as a joint venture of the Target Group during the Relevant Periods.

There are no contingent liabilities relating to the Target Group's interests in the joint venture.

Summarised financial information for Guangxi Future Land

Summarised balance sheet

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Assets	247,514	255,204	290,524	244,838
Liabilities	(29,940)	(40,087)	(77,915)	(38,503)
Total net current assets	217,574	215,117	212,609	206,335
Non-current				
Assets	91	192	118	64
Liabilities	—	—	—	—
Total net non-current assets	91	192	118	64
Net assets	217,665	215,309	212,727	206,399

Summarised income statement

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	—	—	—	—	—
Loss before income tax	(1,226)	(2,356)	(2,582)	(2,209)	(6,328)
Income tax expense	—	—	—	—	—
Post-tax loss and total comprehensive loss	(1,226)	(2,356)	(2,582)	(2,209)	(6,328)
Dividends received from Guangxi Future Land	—	—	—	—	—

Reconciliation of summarised financial information

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Opening net assets 1 January	—	217,665	215,309	215,309	212,727
Profit for the year/period	(1,226)	(2,356)	(2,582)	(2,209)	(6,328)
Capital contributions	218,891	—	—	—	—
Closing net assets	217,665	215,309	212,727	213,100	206,399
% of ownership interest	28.9%	28.9%	28.9%	28.90%	28.90%
Interest in joint venture	62,905	62,224	61,478	61,586	59,649
Carrying value	18,260	17,579	16,833	16,941	15,004

The difference between the carrying value and share of net assets mainly represented the unrealised gain arising from the capital injection of land use rights by CEC Beihai to Future Land in 2012 which was eliminated against the carrying value of the investment in Future Land in the consolidated financial statements.

Target

	Year ended 31 December 2014	Eleven months ended 30 November 2015
	RMB'000	*RMB'000*
Beginning of the year/period	—	62,224
Acquisition from CEC Beihai (a)	62,224	—
End of the year/period	62,224	62,224

(a) In 2014, the Target entered into an equity transfer agreement with CEC Beihai. Pursuant to the agreement, CEC Beihai transferred its 28.9% equity interest in Guangxi Future Land to the Target at a consideration of approximately RMB62,224,000.

12. INVESTMENT IN AN ASSOCIATE

Target Group

	Year ended 31 December			Eleven months ended 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	23,031	41,352	28,861	43,789
Share of profit/(loss)	34,321	13,434	14,928	(654)
Share of movement in reserve of an associate	—	75	—	—
Dividends	(16,000)	(26,000)	—	—
End of the year/period	41,352	28,861	43,789	43,135

The Target Group has the following associate as at 31 December 2012, 2013 and 2014 and 30 November 2015.

Name of entity	Place of establishment and type of legal entity	% of ownership interest	Principal place of operation and activities	Measurement method
Hainan Resort Software Community Investment and Development Co., Ltd ("Hainan Investment", 海南生態軟件園投資發展有限公司)	PRC, limited liability company	40%	PRC, development and management of electronic information technology industrial parks	Equity

Summarised financial information for Hainan Investment

Summarised balance sheet

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Assets	299,645	579,420	1,106,171	1,266,820
Liabilities	(255,303)	(464,453)	(479,284)	(711,829)
Total net current assets	44,342	114,967	626,887	554,991
Non-current				
Assets	149,536	198,685	236,779	401,815
Liabilities	—	(151,000)	(663,694)	(758,470)
Total net non-current assets	149,536	47,685	(426,915)	(356,655)
Net assets	193,878	162,652	199,972	198,336

Summarised income statement

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	182,702	56,524	166,879	32,100	20,264
Profit/(loss) before income tax	136,261	42,724	61,181	(51,676)	2,168
Income tax expense	(50,458)	(9,138)	(23,861)	5,141	(3,804)
Post-tax profit/(loss) and total comprehensive income	85,803	33,586	37,320	(46,535)	(1,636)
Dividends received from Hainan Investment	—	—	10,000	10,000	—

Reconciliation of summarised financial information

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Opening net assets 1 January	148,076	193,879	162,652	162,652	199,972
Share of movement in reserve of an associate	—	187	—	—	—
Profit for the year/period	85,803	33,586	37,320	(46,535)	(1,636)
Dividends	(40,000)	(65,000)	—	—	—
Closing net assets	193,879	162,652	199,972	116,117	198,336
% of ownership interest	40%	40%	40%	40%	40%
Interest in an associate	77,552	65,061	79,989	46,447	79,335
Carrying value	41,352	28,861	43,789	10,247	43,135

The difference between the carrying amount and share of net assets mainly represented return of investment cost occurred prior to 2012.

Target

	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Eleven months ended 30 November 2015 RMB'000
Beginning of the year/period	35,500	35,500	400	400
Transfer to investment in subsidiaries *(Note 1)*	—	(35,100)	—	—
End of the year/period	35,500	400	400	400

13. LAND USE RIGHTS HELD FOR SALE

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 November 2015 RMB'000
Within the normal operating cycle included under current assets:				
— to be realised within one year	4,335	468	468	468
Amounts comprise:				
— Costs of land use rights	33,804	24,264	24,264	24,264
Less: government grants received	(29,469)	(23,796)	(23,796)	(23,796)
	4,335	468	468	468

The carrying amounts of land use rights held for sale pledged as collateral for borrowings as at 31 December 2012, 2013 and 2014 and 30 November 2015 were as follows:

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 November 2015 RMB'000
Land use rights held for sale pledged as collateral for borrowings *(Note 20)*	4,335	—	—	—

The carrying value of the land use rights held for sale is analysed as follows:

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 November 2015 RMB'000
Outside Hong Kong and in the PRC, held on:				
— Leases of between 10 to 50 years	4,335	468	468	468

14. TRADE AND OTHER RECEIVABLES

Target Group

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade receivables *(Note (b))*	32,906	31,881	31,603	35,124
Less: Provision for impairment	—	—	—	—
Trade receivables — net	32,906	31,881	31,603	35,124
Dividend receivable from Hainan Investment	16,000	26,000	16,000	16,000
Deposits paid for properties under development	—	—	—	50,000
Amount due from Guangxi Future Land	1,050	33,222	—	1,930
Amounts due from other related parties	1,203	3,024	2,727	250,049
Amount due from Guangxi Pufang	23,000	69,291	17,291	32,291
Entrusted loan to Hainan Investment *(Note (d))*	—	—	—	430,000
Entrusted loan to Guangxi Future Land	—	—	—	15,000
Entrustment loan to a third party *(Note (c))*	—	—	80,000	—
Other receivables from third parties	24,161	22,149	22,531	40,939
Less: Provision for impairment	(6,517)	(6,517)	(6,517)	(6,579)
Other receivables from third parties — net	17,644	15,632	16,014	34,360
Prepayments for land *(Note (e))*	21,115	—	—	—
Other prepayments	4,023	532	8,684	10,281
	116,941	179,582	172,319	875,035
Non-current				
Entrusted loan to Hainan Investment *(Note (d))*	—	—	400,000	—
Other non-current receivables *(Note (a))*	9,011	7,750	7,750	7,750
Less: Provision for impairment	—	—	(7,750)	(7,750)
Other non-current receivables-net	9,011	7,750	—	—
	9,011	7,750	400,000	—
	125,952	187,332	572,319	875,035

Target

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other receivables from other third parties	9,852	9,838	9,753	23,173
Less: Provision for impairment	(6,517)	(6,517)	(6,517)	(14,329)
Other receivables from other third parties — net	3,335	3,321	3,236	8,844
Amounts due from related parties	1,359	2,728	2,728	250,049
Entrusted loan to Hainan Investment *(Note (d))*	—	—	—	430,000
Dividend receivable from Hainan Investment	16,000	26,000	16,000	16,000
	20,694	32,049	21,964	704,893
Non-current				
Entrusted loan to Hainan Investment *(Note (d))*	—	—	400,000	—
Other non-current receivables *(Note (a))*	9,011	7,750	7,750	7,750
Less: Provision for impairment	—	—	(7,750)	(7,750)
Other non-current receivables — net	9,011	7,750	—	—
	9,011	7,750	400,000	—
	29,705	39,799	421,964	704,893

(a) Non-current other receivables were arising from rendering of installation services to a third party which were completed prior to 2010. Pursuant to the related service agreement, the receivable from rendering of the installation services is due on a 5-year installment basis. As at 31 December 2014, the above receivable was over due and full impairment provision was made against the non-current receivable based on management's recoverability assessment.

The fair values of non-current receivables are as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current other receivables	8,958	7,264	400,000	—

The fair value of non-current other receivables were based on cash flows discounted using interest rates based on the prevailing borrowing rates of 6.40% and 6.40% as at 31 December 2012 and 2013, respectively, considering the borrower's credit risk. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

The effective interest rate on non-current other receivables was 5.76% as at 31 December 2012 and 2013. The fair values of the non-current other receivables as at 31 December 2014 approximated their carrying amounts.

(b) Trade receivables are mainly arisen from sales of land use rights, sales of properties and rental income from investment properties. The Target Group generally granted a credit term of 1 to 9 months to land use rights buyers. There are generally no credit terms available for rental income. The ageing analysis of trade receivables based on their respective revenue recognition dates is as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	865	792	1,722	2,395
Over 3 months and within 6 months	864	3,563	1,723	2,395
Over 6 months and within 1 year	1,729	1,599	1,583	3,445
Over 1 year and within 2 years	4,226	3,458	3,726	1,674
Over 2 years and within 3 years	25,222	4,196	3,402	3,340
Over 3 years	—	18,273	19,447	21,875
	32,906	31,881	31,603	35,124

Trade receivables are analysed as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fully performing under credit terms	21,043	8,148	7,293	8,819
Past due but not impaired	11,863	23,733	24,310	26,305
	32,906	31,881	31,603	35,124

Past due but not impaired receivables mainly represent receivables from sales of properties held for sale and rental income from investment properties. These related to a number of customers with high reputation for whom there is no recent history of default. The directors of the Target consider that these receivables would be recovered and no provision was therefore made against these receivables as at 31 December 2012, 2013 and 2014 and 30 November 2015. The ageing based on revenue recognition dates of these trade receivables is as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 1 year and within 2 years	3,163	2,327	2,609	1,379
Over 2 years and within 3 years	8,700	3,133	2,254	3,051
Over 3 years	—	18,273	19,447	21,875
	11,863	23,733	24,310	26,305

(c) The entrusted loan to a third party with a term of 90 days was secured and bore interest at 20% per annum, which was settled during the eleven months ended 30 November 2015.

(d) On 24 July 2014, The Target entered into an entrustment agreement with China Electronics Financial Co., Ltd ("CEC Finance'') in relation to the provision of an entrusted loan in the principal amount of RMB400 million for a term of two years commencing from 24 July 2014 and ending on 23 July 2016, and at an interest rate of 9% per annum by the Target to Hainan Investment, with CEC Finance acting as the lending agent. 60% of the RMB400 million entrusted loan has been secured by a share pledge of 43.64% equity interest in Hainan Investment granted by its shareholders holding the remaining 60% equity interest in Hainan Investment.

(e) Prepayments for land were related to acquisition of land use rights for development upon successfully bidding at the land auctions conducted by the PRC government.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	—	—	—	17,500

The wealth management products are issued by commercial banks in the PRC. These wealth management products are not principal protected and with non-guaranteed return, they are denominated in RMB. The fair value of these investment was determined with reference to the statements provided by the counterparties.

16. SHORT-TERM DEPOSITS AND INVESTMENTS

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term deposits (a)	—	—	1,500	—
Short-term investments (b)	—	—	50,000	—
	—	—	51,500	—

(a) Short-term deposits represented deposits at banks and other financial institutions with original maturity over 3 months. The effective interest rate on these deposits at 31 December 2014 was 2.45% per annum.

(b) Short-term investments represented investments in certain wealth management products issued by commercial banks in the PRC. These wealth management products are principal protected and with fixed return. They were denominated in RMB and with original maturity of 6 months. The effective interest rate on this investment at 31 December 2014 was 4.9% per annum.

17. CASH AND CASH EQUIVALENTS

Target Group

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents:				
— At bank and on hand	63,319	8,604	61,922	53,889
— At CEC Finance *(Note 32)*	17,940	27,381	65,125	3,524
	81,259	35,985	127,047	57,413

Target

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents:				
— At bank and on hand	2,931	637	517	1,394
— At CEC Finance	4,015	1,783	52,453	1,415
	6,946	2,420	52,970	2,809

All cash and cash equivalents are denominated in RMB.

18. NON-CURRENT ASSETS HELD FOR SALE

On 17 December 2012, CEC Beihai announced an intention to sell its 50% equity interest in Guangxi Future Land (the "Selling Interest") at a consideration of RMB141,410,000 through Shanghai United Assets and Equity Exchange. Guangxi Pufang, the other venturer of Guangxi Future Land, was interested in acquiring the Selling Interest and has made deposits of RMB72,000,000 in total as of 31 December 2012. As at 31 December 2012, the carrying amount of the Selling Interest was lower than the fair value less costs to sell. In 2013, the transaction was completed and the Target Group recognised a gain of RMB98,040,000 (Note 25). As at 30 November 2015, RMB12,291,000 of the above consideration has not been settled.

Non-current assets held for sale are analysed as follows:

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Transferred from investment in a joint venture *(Note 11)*	45,650	—	—	—

19. PAID-IN CAPITAL AND OTHER RESERVES

Target Group

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	100,000	100,000	100,000	100,000
Other reserves *(Note (a))*	71,887	17,962	17,962	17,962

Target

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	100,000	100,000	100,000	100,000
Other reserves	22,327	22,327	22,327	22,327

(a) The movement of other reserves are as follows:

Target Group

	Capital reserve	Statutory surplus reserve	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 31 December 2012 and 1 January 2013	69,167	2,720	—	71,887
Share of movement in reserves of an associate	75	—	—	75
Merger of CEC Xi'an *(Note 1)*	(54,000)	—	—	(54,000)
Balance at 31 December 2013 and 2014 and 30 November 2015	15,242	2,720	—	17,962

20. BORROWINGS

Target Group

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings				
— Secured *(Note (a))*	130,400	104,000	1,051,039	1,000,000
— Unsecured with guarantee *(Note (b))*	21,000	—	—	—
Borrowings from CEC Finance *(Note 32)*				
— Unsecured with guarantee *(Note (b))*	20,000	—	—	—
Borrowings from Xi'an Investment Holding Company				
— Unsecured with guarantee *(Note (b))*	4,487	4,735	—	—
Less: current portion	(67,400)	(56,735)	(52,000)	—
	108,487	52,000	999,039	1,000,000
Borrowings included in current liabilities:				
Entrusted loan from CECH *(Note 32)*				
— Unsecured	—	—	—	340,000
Borrowings from CEC Finance *(Note 32)*				
— Secured *(Note (a))*	20,000	20,000	—	—
— Unsecured with guarantee *(Note (b))*	120,000	271,000	—	—
Current portion of non-current borrowings	67,400	56,735	52,000	—
	207,400	347,735	52,000	340,000
	315,887	399,735	1,051,039	1,340,000

(a) As at 31 December 2012, 2013 and 2014 and 30 November 2015, secured borrowings of the Target Group were secured by:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings and construction in progress *(Note 6)*	8,594	9,345	—	—
Investment properties *(Note 7)*	185,913	133,974	137,397	—
Land use rights *(Note 8)*	1,696	1,290	1,135	—
Properties under development *(Note 9)*	—	12,535	24,264	—
Land use rights held for sale *(Note 13)*	4,335	—	—	—
Short-term deposits (i)	—	—	1,030,151	1,031,019
	200,538	157,144	1,192,947	1,031,019

(i) As at 31 December 2014 and 30 November 2015, RMB1,030,151,000 and RMB1,031,019,000 of short-term deposits of China Electronics Corporation Management Limited ("CECM"), a subsidiary of CECH, were pledged as collateral for the Target Group's borrowings, respectively.

(b) These borrowings are guaranteed by:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CECH *(Note 32)*	140,000	271,000	—	—
The Target	25,487	4,735	—	—
	165,487	275,735	—	—

(c) The borrowings are repayable as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	207,400	347,735	52,000	340,000
Between 1 and 2 years	56,487	52,000	999,039	1,000,000
Between 2 and 5 years	52,000	—	—	—
	315,887	399,735	1,051,039	1,340,000

The weighted average effective interest rates were as follows:

	Year ended 31 December			Eleven months ended 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	6.63%	5.62%	3.79%	2.06%

Target

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings				
— Secured *(Note (a))*	—	—	999,039	1,000,000
Borrowings from CEC Finance				
— Unsecured with guarantee *(Note (b))*	20,000	—	—	—
Less: current portion	(20,000)	—	—	—
	—	—	999,039	1,000,000
Borrowings included in current liabilities:				
Borrowings from CEC Finance *(Note 32)*				
— Secured *(Note (a))*	20,000	20,000	—	—
— Unsecured with guarantee *(Note (b))*	120,000	271,000	—	—
Current portion of non-current borrowings	20,000	—	—	—
	160,000	291,000	—	—
	160,000	291,000	999,039	1,000,000

(a) As at 31 December 2012, 2013 and 2014 and 30 November 2015, secured borrowings of the Target were secured by:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	6,646	6,241	—	—
Investment properties	14,974	—	—	—
Short-term deposits	—	—	1,030,151	1,031,019
	21,620	6,241	1,030,151	1,031,019

(b) These borrowings are guaranteed by CECH.

(c) The exposure of the borrowings with respect to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are 6 months or less.

The borrowings are repayable as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	160,000	291,000	—	—
Between 1 and 2 years	—	—	999,039	1,000,000
	160,000	291,000	999,039	1,000,000

The weighted average effective interest rates were as follows:

	Year ended 31 December			Eleven months ended 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	6.98%	5.98%	3.47%	2.06%

The fair values of the non-current borrowings approximate their carrying amounts. All the carrying amounts of the borrowings are denominated in RMB.

21. DEFERRED TAXATION

The analysis of deferred tax assets and liabilities is as follows:

Target Group

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	62,691	52,003	60,607	63,452
Less: Offsetting of deferred tax liabilities	(16,322)	(26,674)	(36,352)	(47,722)
Deferred tax assets (net)	46,369	25,329	24,255	15,730
Deferred tax liabilities	(18,757)	(27,465)	(39,094)	(61,961)
Less: Offsetting of deferred tax assets	16,322	26,674	36,352	47,722
Deferred tax liabilities (net)	(2,435)	(791)	(2,742)	(14,239)
Deferred tax assets — net	43,934	24,538	21,513	1,491

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax assets:

	Government grants	Tax losses	Fair value of investment properties below the tax bases	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	58,612	5,176	47	2,165	66,000
Recognised in profit or loss	2,114	(5,093)	(47)	(283)	(3,309)
At 31 December 2012	60,726	83	—	1,882	62,691
Recognised in profit or loss	(10,378)	(83)	—	(227)	(10,688)
At 31 December 2013	50,348	—	—	1,655	52,003
Recognised in profit or loss	(9,040)	6,437	11,162	45	8,604
At 31 December 2014	41,308	6,437	11,162	1,700	60,607
Recognised in profit or loss	(1,564)	4,409	—	—	2,845
At 30 November 2015	39,744	10,846	11,162	1,700	63,452

Deferred tax liabilities:

	Fair value of investment properties over the tax base	Financial costs capitalised on properties under development	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	2,869	—	642	3,511
Recognised in profit or loss	14,685	71	490	15,246
At 31 December 2012	17,554	71	1,132	18,757
Recognised in profit or loss	5,315	462	2,931	8,708
At 31 December 2013	22,869	533	4,063	27,465
Recognised in profit or loss	4,726	381	6,522	11,629
At 31 December 2014	27,595	914	10,585	39,094
Recognised in profit or loss	18,827	1,048	2,992	22,867
At 30 November 2015	46,422	1,962	13,577	61,961

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
— to be recovered within 12 months	24,346	1,294	192	176
— to be recovered after 12 months	22,023	24,035	24,063	15,554
	46,369	25,329	24,255	15,730
Deferred tax liabilities:				
— to be recovered after 12 months	(2,435)	(791)	(2,742)	(14,239)
Deferred tax assets — net	43,934	24,538	21,513	1,491

Target

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities:				
— to be recovered after 12 months	2,435	3,568	4,192	4,706

Deferred tax assets are recognised for tax loss carried forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Target Group did not recognise deferred tax assets in respect of losses amounting to RMB21,032,000, RMB52,264,000, RMB81,556,000 and RMB77,232,000 as at 31 December 2012, 2013 and 2014 and 30 November 2015 that can be carried forward against future taxable income, respectively. These tax losses will expire up to and including 2017, 2018, 2019 and 2020, respectively. The Target Group did not recognise deferred tax assets in respect of temporary differences amounting to RMB7,752,000 as at 31 December 2014 and 30 November 2015.

22. ADVANCES FROM CUSTOMERS

Advances from customers mainly represent the proceeds from the sale of land use rights.

23. TRADE AND OTHER PAYABLES

Target Group

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	904	8,609	1,771	22,790
Deposits from Guangxi Pufang *(Note 11)*	72,000	—	—	—
Due to Hainan Investment	459	945	848	759
Amounts due to other related parties	1,261	2,706	20,890	497
Subsidy payables *(Note (a))*	8,952	5,844	3,588	3,588
Construction costs payable	21,582	10,106	7,250	2,731
Construction cost paid by a third party on behalf of CEC Beihai	—	—	—	29,459
Other taxes payable	5,622	5,003	4,224	4,881
Payable for service expense	1,234	1,414	1,349	498
Salary payable	8,196	1,599	3,150	3,204
Interest payable	233	—	—	3,035
Other payables	4,375	1,203	5,965	2,178
	124,818	37,429	49,035	73,620

(a) It represented the portion of government subsidy payable to certain third parties according to the agreements between the Target Group and these third parties in connection with the sales of certain pieces of land use rights.

The ageing analysis of trade payables was as follows:

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	—	7,000	200	7,250
Over 3 months and within 6 months	—	1,555	—	15,514
Over 6 months and within 1 year	279	—	1,567	—
Over 1 year and within 2 years	418	—	—	22
Over 2 years and within 3 years	207	54	4	4
	904	8,609	1,771	22,790

Trade and other payables are denominated in RMB.

24. EXPENSES BY NATURE

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Business taxes and other levies	3,917	112	2,488	932	2,992
Costs of land use rights sold	4,336	6,067	—	336	433
Depreciation and amortisation	2,026	2,422	2,770	2,454	2,585
Employee benefit expenses *(Note 26)*	14,253	12,659	19,124	17,458	15,745
Marketing and travelling expenses	9,159	9,840	4,754	3,436	3,638
Professional and consulting fees	3,717	5,253	3,652	1,501	1,216
Property management fees	2,669	2,603	3,265	2,520	1,464
Rental expense	494	1,354	1,276	677	592
Utilities and office supplies	3,050	3,133	763	565	371
Impairment provision for receivables	168	—	7,750	7,750	62
Raw materials and consumables used	121	106	22	—	—
Others	2,607	3,833	2,099	2,304	2,740
Total cost of sales, selling and marketing costs and administrative expenses	46,517	47,382	47,963	39,933	31,838

25. OTHER INCOME AND GAINS — NET

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Fair value gains on investment properties *(Note 7)*	58,738	21,259	18,904	17,338	75,306
Fair value gain on the land use rights transferred to Guangxi Future Land as capital injection *(Note (a))*	40,338	—	—	—	—
Losses on disposal of property, plant and equipment	(63)	(126)	(570)	—	(610)
Government grants	—	—	6,540	5,405	6,704
Gains on disposal of 50% equity interest in Guangxi Future Land *(Note 18)*	—	98,040	—	—	—
Interest income on long-term receivables	1,904	1,724	—	—	—
Interest income on entrusted loans	486	226	10,354	9,217	37,367
Interest income on short-term investments	—	—	431	—	1,851
Others	301	160	(1,570)	(1,857)	446
	101,704	121,283	34,089	30,103	121,064

(a) It represented the realisation of the fair value gain on the land use rights, which was injected as capital contribution by CEC Beihai to Guangxi Future Land (Note 11).

26. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages salaries and bonus	11,132	10,013	14,878	12,562	11,069
Pension costs	2,552	2,232	3,383	4,033	3,862
Others	569	414	863	863	814
	14,253	12,659	19,124	17,458	15,745

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Target for the year ended 31 December 2012 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Xie Qinghua (iii)	162	551	22	29	764
Mr. Su Duan (i)	121	397	16	23	557
	283	948	38	52	1,321

The remuneration of every director and the chief executive of the Target for the year ended 31 December 2013 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Xie Qinghua (iii)	—	991	—	—	991
Mr. Su Duan (i)	—	—	—	—	—
	—	991	—	—	991

The remuneration of every director and the chief executive of the Target for the year ended 31 December 2014 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Xie Qinghua (iii)	—	—	—	—	—
Mr. Zou Xiaodong (ii)	—	—	—	—	—
Mr. Liu Qun (ii)	—	—	—	—	—
Mrs. Wu Yuanyuan (ii)	—	—	—	—	—
Mr. Jiang Juncheng (ii)	—	—	—	—	—
	—	—	—	—	—

The remuneration of every director and the chief executive of the Target for the eleven months ended 30 November 2014 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
(Unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Xie Qinghua (iii)	—	—	—	—	—
Mr. Zou Xiaodong (ii)	—	—	—	—	—
Mr. Liu Qun (ii)	—	—	—	—	—
Mrs. Wu Yuanyuan (ii)	—	—	—	—	—
Mr. Jiang Juncheng (ii)	—	—	—	—	—
	—	—	—	—	—

The remuneration of every director and the chief executive of the Target for the eleven months ended 30 November 2015 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Xie Qinghua (iii)	—	—	—	—	—

(i) During the year ended 31 December 2013, Mr. Su Duan resigned from his position as director.

(ii) During the year ended 31 December 2014, Mr. Liu Qun, Mrs. Wu Yuanyuan, Mr. Jiang Juncheng and Mr. Zou Xiaodong resigned from their position as directors.

(iii) During the year ended 31 December 2012, 2013 and 2014, and the eleven months ended 30 November 2015, Mr. Xie Qinghua was appointed as director as well as the chief executive of the Target.

During the year ended 31 December 2014 and the eleven months ended 30 November 2015, all the directors of the Target received emoluments from CECH for their services provided to the Group. No charge to the Target Group has been made as the directors do not believe that it is practicable to apportion the amount between their services to CECH and the Target Group.

No directors received any emoluments from the Target Group as an inducement to join or leave the Group or compensation for loss of office during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for each of the years ended 31 December 2012, 2013, 2014 and the eleven months ended 30 November 2014 and 2015 included two, one, nil, nil and nil directors respectively. The emoluments paid and payable to the remaining three, four, five, five and five individuals for each of the years ended 31 December 2012, 2013 and 2014 and the eleven months ended 30 November 2014 and 2015 are as follows:

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and benefits in kind	2,222	2,526	1,743	1,737	829
Pensions	65	266	377	328	265
Others	86	120	173	—	—
	2,373	2,912	2,293	2,065	1,094

The emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
Nil–HKD500,000	1	2	3	3	5
HKD500,001–HKD1,000,000	—	—	2	2	—
HKD1,000,001–HKD1,500,000	2	2	—	—	—
HKD1,500,001–HKD2,000,000	—	—	—	—	—

27. FINANCE COSTS — NET

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Finance costs:					
— Interest expense on borrowings	22,389	21,652	20,755	21,505	21,540
Less: Amounts capitalised on investment properties *(Note 7)*	(5,384)	—	—	—	—
Less: Amounts capitalised on properties under development	(283)	(1,846)	(1,525)	(3,836)	(4,192)
	16,722	19,806	19,230	17,669	17,348
Finance income:					
— Interest income on deposits	(513)	(203)	(1,123)	(801)	(1,561)
Finance costs — net	16,209	19,603	18,107	16,868	15,787

The capitalisation rate applied to funds borrowed generally and used for the qualifying assets was approximately 6.63%, 5.62%, 3.79%, 3.75% and 2.06% per annum for each of the years ended 31 December 2012, 2013 and 2014, and each of the eleven months ended 30 November 2014 and 2015, respectively.

28. TAXATION

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax:					
— PRC corporate income tax	1,265	5,184	—	—	—
— PRC land appreciation tax	3,236	—	—	—	—
	4,501	5,184	—	—	—
Deferred tax:					
— PRC corporate income tax	18,507	19,396	3,025	3,074	20,022
	23,008	24,580	3,025	3,074	20,022

The tax on the Target Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the PRC statutory tax rate as follows:

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit/(loss) before taxation	81,456	77,762	(12,159)	(41,109)	79,822
Add: share of loss of a joint venture *(Note 11)*	858	681	746	639	1,829
Less: share of (profit)/loss of an associate *(Note 12)*	(34,321)	(13,434)	(14,928)	18,614	654
	47,993	65,009	(26,341)	(21,856)	82,305
Tax calculated at PRC corporate income tax rate of 25%	11,998	16,252	(6,585)	(5,464)	20,576
Expenses not deductible for tax	3,325	520	349	145	527
Utilisation of tax losses for which no deferred tax assets were recognised	—	—	—	—	(1,081)
Tax losses for which no deferred tax assets were recognised	5,258	7,808	7,323	6,455	—
Temporary differences for which no deferred tax asset was recognised	—	—	1,938	1,938	—
PRC land appreciation tax deductible for PRC corporate income tax purpose	(809)	—	—	—	—
	19,772	24,580	3,025	3,074	20,022
PRC land appreciation tax	3,236	—	—	—	—
Taxation	23,008	24,580	3,025	3,074	20,022

(a) PRC Corporate Income Tax

PRC Corporate Income Tax ("CIT") is provided on the assessable income of the Target Group's entities incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC.

The Target and its subsidiaries are subject to CIT at a rate of 25% during the Relevant Periods.

(b) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land and properties value, being the proceeds of sales of land use rights less deductible expenditures including cost of land use rights and all property development expenditures.

29. DIVIDENDS

Pursuant to the resolutions passed by the predecessor parent company, CEC, on 19 June 2012, dividends of the Target total amounting to RMB6,080,000 were declared and paid in 2013.

30. CASH USED IN OPERATIONS

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) before taxation	81,456	77,762	(12,159)	(41,109)	79,822
Adjustments for:					
Depreciation of property, plant and equipment *(Note 6)*	2,000	2,410	2,749	2,435	2,566
Amortisation of land use rights *(Note 8)*	26	12	21	19	19
Fair value gain on investment properties *(Note 25)*	(58,738)	(21,259)	(18,904)	(17,338)	(75,306)
Fair value gains on the land use rights transferred to Guangxi Future Land as capital injection *(Note 25)*	(40,338)	—	—	—	—
Losses on disposals of property, plant and equipment *(Note 25)*	63	126	570	—	610
Government grants *(Note 25)*	—	—	(6,540)	(5,405)	(6,704)
Gains on disposal of 50% equity interest in Guangxi Future Land *(Note 25)*	—	(98,040)	—	—	—
Interest income on long-term receivables *(Note 25)*	(1,904)	(1,724)	—	—	—
Interest income on entrusted loans *(Note 25)*	(486)	(226)	(10,354)	(9,217)	(37,367)
Interest income on short-term investments *(Note 25)*	—	—	(431)	—	(1,851)
Finance income *(Note 27)*	(513)	(203)	(1,123)	(801)	(1,561)
Finance costs *(Note 27)*	16,722	19,806	19,230	17,669	17,348
Impairment provision for receivables *(Note 24)*	168	—	7,750	7,750	62
Share of loss of a joint venture *(Note 11)*	858	681	746	639	1,829
Share of (profit)/loss of an associate *(Note 12)*	(34,321)	(13,434)	(14,928)	18,614	654
Changes in working capital:					
Increase in land use rights held for sale and properties under development	(70,461)	(35,258)	(90,340)	(70,247)	(130,254)
(Increase)/decrease in trade and other receivables	(7,626)	28,355	(45,597)	(25,483)	(250,788)
(Decrease)/increase in advances from customers	(4,691)	(1,302)	9,094	8,995	6,565
Increase/(decrease) in trade and other payables	5,093	(15,156)	11,606	(70,089)	21,550
Cash used in operations	(112,692)	(57,450)	(148,610)	(183,568)	(372,806)

In the statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net book amount *(Note 6)*	136	199	570	—	1,170
Losses on disposals *(Note 25)*	(63)	(126)	(570)	—	(610)
Proceeds from disposals	73	73	—	—	560

Non-cash transactions

The major non-cash transactions during the Relevant Periods represented the injection of a piece of land use rights by CEC Beihai as capital contribution to Guangxi Future Land in 2012 (Note 11).

31. COMMITMENTS

(a) Commitments for capital and property development expenditures

Target Group

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	5,852	35,888	73,658	79,092

(b) Operating lease commitments — where the Target Group is the Lessor

Target Group

As at 31 December 2012, 2013 and 2014 and 30 November 2015, the Target Group has future aggregate minimum lease receivable under non-cancellable operating leases in respect of investment properties, details of which are as follows:

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	2,729	2,737	5,069	537
Later than one year and not later than five years	8,934	8,065	10,694	20,942
Later than five years	24,110	22,076	20,462	—
	35,773	32,878	36,225	21,479

As at 31 December 2012, 2013 and 2014 and 30 November 2015, the Target Group leases investment properties under various agreements which terminate between 2012 and 2030, 2013 and 2030, 2014 and 2030, 30 November 2015 and 2030, respectively.

32. RELATED PARTY TRANSACTIONS AND BALANCES

Apart from those transactions and balances disclosed in other notes, the Target Group has the following significant transactions in the ordinary course of business with its related parties during the Relevant Periods:

(a) Name and relationship with related parties

Name of the related parties	Relationship with the Target
CEC	Ultimate holding company
CECH	Parent company
CEC Finance	Under common control of CEC
CEC RIDA Electronic Technology Co.,Ltd (北京中電瑞達電子技術有限公司)	Under common control of CEC
CEC Rida Property Management Co., Ltd. (北京中電瑞達物業有限公司, "CEC Rida")	Under common control of CEC
China Electronic Systems Engineering Corporation Limited (中國電子系統工程總公司)	Under common control of CEC
China National Software & Service Co., Ltd. (中國軟件與技術服務股份有限公司)	Under common control of CEC
Great Wall Computer Software & System Inc (長城電腦軟件與系統有限公司)	Under common control of CEC
CEC Huada Electronic Design Corporation Limited (北京華大電子設計有限責任公司)	Under common control of CEC
China Electronics Industry Development Co., Ltd (中國電子為華實業發展有限公司)	Under common control of CEC
CEC Property Service Co., Ltd. (北京中電物業服務有限公司)	Under common control of CEC
The 6th Research Institute of China Electronics Corporation (中國電子信息產業集團有限公司第六研究所)	Under common control of CEC
Shanghai Pudong Software Park (上海浦東軟件園股份有限公司)	Under common control of CEC
Hainan Investment (海南生態軟件園投資發展有限公司)	Associate of the Target
Guangxi Future Land (廣西中電未來投資置業有限公司)	Joint venture of the Target

(b) Transactions with related parties

	Year ended 31 December			Eleven months ended 30 November	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Service income:					
CECH	—	—	550	488	291
CEC Property Service Co., Ltd.	—	373	—	—	—
Borrowings:					
Addition of borrowing from CEC Finance	150,000	351,001	155,000	155,000	390,000
Repayment of borrowing to CEC Finance	(30,000)	(235,001)	(446,000)	(376,000)	(645,000)
Addition of entrusted loan from CECH	—	—	—	—	340,000
Entrusted loan to Hainan Investment	—	—	400,000	245,000	30,000
Interest income on entrusted loan:					
Hainan Investment	—	—	8,786	2,950	28,015
Interest income on deposits:					
CEC Finance	247	45	830	643	2,194
Interest expense on borrowings:					
CEC Finance	3,922	14,995	12,618	11,588	4,574
Guarantee fees on borrowings:					
CECH	151	1,680	280	281	—
Property management services fees:					
CEC RIDA Electronic Technology Co.,Ltd	—	2,294	2,300	—	—
CEC Property Service Co., Ltd.	—	238	—	—	—
CEC Rida	—	—	—	2,187	935

(c) **Balances with related parties**

	As at 31 December			As at 30 November
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits:				
CEC Finance *(Note 17)*	17,940	27,381	65,125	3,524
Trade and other receivables:				
Hainan Investment	16,000	26,000	416,000	446,000
Guangxi Future Land	1,050	33,222	—	16,930
China Electronic Systems Engineering Corporation Limited	897	2,678	2,678	—
CECH	—	—	—	250,000
CEC	—	44	44	44
CEC RIDA Electronic Technology Co.,Ltd	—	5	5	5
Great Wall Computer Software & System Inc	—	297	—	—
Others	306	—	—	—
	18,253	62,246	418,727	712,979
Trade and other payables:				
Hainan Investment	459	945	848	759
CEC	—	52	52	—
The 6th Research Institute of China Electronics Corporation	—	13	13	32
CECH	—	—	20,000	—
China Electronic Systems Engineering Corporation Limited	679	—	—	—
China National Software & Service Co., Ltd.	510	510	—	—
Shanghai Pudong Software Park	—	825	825	—
China Electronics Industry Development Co., Ltd	—	1,299	—	—
CEC Finance	—	7	—	—
Others	72	—	—	—
	1,720	3,651	21,738	791
Advanced proceeds from customers				
CEC Huada Electronic Design Corporation Limited	—	—	11,564	11,564
Borrowings included in current liabilities:				
CEC Finance *(Note 20)*	140,000	291,000	—	—
CECH	—	—	—	340,000
	140,000	291,000	—	340,000
Borrowings included in non-current liabilities:				
CEC Finance *(Note 20)*	20,000	—	—	—

The borrowings from CEC Finance bear weighted average interest rate of 6.21% and 5.62% for each of the years ended 31 December 2012 and 2013, respectively.

The borrowings from CECH bear weighted average interest rate of 7.00% for the eleven months ended 30 November 2015.

The weighted average interest rate of the deposits held at CEC Finance is 0.3% for each of the years ended 31 December 2012, 2013 and 2014 and the eleven months ended 30 November 2015.

Other than the deposits, entrustment loan and borrowings, the above balances with related parties were unsecured, interest-free and repayable on demand.

(d) Borrowings guaranteed by CECH

	As at 31 December			As at 30 November
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	140,000	271,000	—	—

(e) Transactions with government related entities

The Target Group is a state-owned enterprise ultimately controlled by the PRC government. The transactions between the Target Group and other PRC government controlled entities are related party transactions. These transactions mainly include depositing cash in and obtain borrowings from certain state-owned banks.

(f) Key management compensation

	Year ended 31 December			Eleven months ended 30 November	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and benefits in kind	3,453	3,212	1,244	914	773
Pensions	103	124	137	69	46
Others	138	—	—	—	—
	3,694	3,336	1,381	983	819

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target or any of its subsidiaries in respect of any period subsequent to 30 November 2015 up to the date of this report. No dividend or distribution has been declared or made by the Target or any of its subsidiaries in respect of any period subsequent to 30 November 2015.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE TARGET GROUP FOR THE ELEVEN MONTHS ENDED 30 NOVEMBER 2014

Set out below is certain unaudited consolidated interim financial information of China Electronics Technology Development Co., Ltd. (中國電子科技開發有限公司) and its subsidiaries (the "Target Group") for the eleven months ended 30 November 2014 (the "Unaudited Consolidated Interim Financial Information") which is extracted from pages II-A-7 to II-A-8 of this Circular.

The Unaudited Consolidated Interim Financial Information is published in this Circular in accordance with the relevant disclosure requirements under the Listing Rules. According to Rule 10 of the Code on Takeovers and Mergers, it is regarded as profit estimate and the Company's reporting accountant and the Company's financial advisor are required to report on the Unaudited Consolidated Interim Financial Information.

Unaudited Consolidated Interim Financial Information of the Target Group

	Eleven months ended 30 November 2014 *RMB'000* (Unaudited)
Gross profit	3,574
Operating loss	(4,988)
Loss before taxation	(41,109)
Loss for the period	(44,183)
Total comprehensive loss for the period	(44,183)

B. INDEPENDENT ASSURANCE REPORT

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE ACCOUNTING POLICIES AND CALCULATION OF THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Optics Valley Union Holding Company Limited

We have completed our assurance engagement to report on the principal accounting policies adopted and the calculations used in the preparation of certain unaudited consolidated interim financial information of China Electronics Technology Development Co., Ltd. (中國電子科技開發有限公司) (the "Target") and its subsidiaries (together the "Target Group") for the eleven months ended 30 November 2014 (the "Unaudited Consolidated Interim Financial Information") as set out on page II-B-1 of the circular of Optics Valley Union Holding Company (the "Company") dated 25 February 2016 (the "Circular") in connection with the proposed acquisition of the entire equity interest in the Target by the Company. We understand it is required to be reported on under Rule 10 of the Code on Takeovers and Mergers.

Directors' Responsibilities

The directors of the Company are solely responsible for preparing the Unaudited Consolidated Interim Financial Information on a basis consistent with the accounting policies adopted by the Company and its subsidiaries (together the "Group"), as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014 and the new accounting standards introduced that are effective for the six months ended 30 June 2015, where applicable. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Consolidated Interim Financial Information that is free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by Rule 10 of the Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Consolidated Interim Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014 and the new accounting standards introduced that are effective for the six months ended 30 June 2015, where applicable, based on our reasonable assurance engagement, and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000 (Revised)") issued by the HKICPA.

Our work consisted primarily of procedures such as (a) obtaining an understanding of the principal accounting policies adopted in the preparation of the Unaudited Consolidated Interim Financial Information through inquires primarily of persons responsible for financial and accounting matters, (b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Consolidated Interim Financial Information, (c) comparing the principal accounting policies as set out in the Unaudited Consolidated Interim Financial Information with those set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014 and the new accounting standards introduced that are effective for the six months ended 30 June 2015, where applicable, (d) checking solely the arithmetical calculations relating to the financial numbers presented in the Unaudited Consolidated Interim Financial Information, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE 3000 (Revised). Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to preparation of the Unaudited Consolidated Interim Financial Information.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Consolidated Interim Financial Information.

Opinion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Consolidated Interim Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Directors of the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014 and the new accounting standards introduced that are effective for the six months ended 30 June 2015, where applicable.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 February 2016

The following is the text of a report from LY Capital Limited, the financial adviser to the Company, on the Unaudited Consolidated Interim Financial Information which has been prepared for the purpose of inclusion in this circular.

LY CAPITAL LIMITED
絡繹資本有限公司

Rooms 1901–02,
China Insurance Group Building,
141 Des Voeux Road Central,
Central, Hong Kong

25 February 2016

The Board of Directors
Optics Valley Union Holding Company Limited
Units 2902, 29th Floor
China Insurance Group Building
No. 141 Des Voeux Road
Central, Hong Kong

Dear Sirs,

Unaudited Consolidated Interim Financial Information

We refer to the circular issued by Optics Valley Union Holding Company (the "Company") dated 25 February 2016 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

We refer to the unaudited consolidated interim financial information of China Electronics Technology Development Company Limited (中國電子科技開發公司) (the "**Target**") and its subsidiaries (together the "**Target Group**") for the eleven months ended 30 November 2014 (the "**Unaudited Consolidated Interim Financial Information**") prepared by the Company and its reasonable assurance made by PricewaterhouseCoopers as published on page II-B-1 of the Circular of the Company. We note that the Unaudited Consolidated Interim Financial Information is regarded as a profit forecast under Rule 10 of the Takeovers Code and is required to be reported on by us, the financial adviser to the Company, pursuant to Rule 10 of the Takeovers Code.

We have discussed with the directors of the Company the bases upon which the Unaudited Consolidated Interim Financial Information was prepared. We have also considered the report of PricewaterhouseCoopers ("**PwC**"), the reporting accountant of the Target Group, as set out in Appendix II-B of the Circular. PwC is of the opinion that, so far as the accounting policies and calculations are concerned, the Unaudited Consolidated Interim Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014, and the new accounting standards introduced that are effective for the six months ended 30 June 2015, where applicable.

Based on the above, we are of the opinion that the Unaudited Consolidated Interim Financial Information, for which the directors of the Company are solely responsible, has been made after due and careful consideration.

Yours faithfully,
For and on behalf of
LY Capital Limited
Henry Yeung
Managing Director

Set out below is the management discussion and analysis on CEC Technology provided by CECH for the period from 1 January 2012 to 30 November 2015.

BUSINESS REVIEW

The principal business activity of CEC Technology is investment holding. As at 30 November 2015, CEC Technology holds 100% equity interests in CEC Beihai, 40% equity interests in Hainan RSC and 73.91% equity interests in CEC Xi'an, respectively.

The principal business activities of CEC Beihai, Hainan RSC and CEC Xi'an are development and management of electronic information industrial parks in the PRC.

The electronic information technology industrial parks operation of the CEC Technology Group comprises:

1. Hainan Resort Software Community (海南生態軟件園) ("Hainan RSC"), which is wholly-owned, developed and managed by Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司), an associate company of the CEC Technology Group;

2. CEC Xi'an Industrial Park (中國電子西安產業園) ("Xi'an Industrial Park"), which is wholly-owned, developed and managed by China Electronics Xi'an Industrial Park Development Co., Ltd, a subsidiary of the CEC Technology Group; and

3. CEC Beihai Industrial Park (中國電子北海產業園) ("Beihai Industrial Park"), which is wholly-owned, developed and managed by China Electronics Beihai Industrial Park Development Co., Ltd* ("CEC Beihai"), a subsidiary of the CEC Technology Group.

Hainan RSC

Hainan RSC is situated in Hainan, with a planned total site area of 3,000 Mu, of which approximately 1,790 Mu of land had already been acquired, and application will be made to the government for the purchase of the remaining land with an area of approximately 1,210 Mu. The park targets at enterprises engaging in software research, software outsourcing and information technology training, as well as call centres and internet media. The general planning of the park included four functional areas, namely start-up zone, large-scale enterprises zone, living amenities zone and corporate self-established zone. The start-up zone consists of Plot A and Plot B with a total site area of approximately 350 Mu, which now consists of 26 office buildings in Plot A, 29 office buildings in Plot B, an incubation building, and Laocheng Economic Development Zone Administration Affairs Service Centre, etc. The large-scale enterprises zone is located at Plot C, which is in the middle of Hainan RSC. It is customized specifically for enterprises with over 500 employees, occupying a site area of approximately 490 Mu and will be constructed along the riverside with natural landscape of water flowing beneath a small bridge. The living amenities zone consists of Plot D, Plot E and Plot G, which will include five-star hotels, Meilun Tertiary Time Tropical Style Commercial Street, and youth entrepreneurship blocks zone, etc. It mainly offers high-quality leisure, shopping, accommodation, conference, food and beverages, and recreational services for the park. The corporate self-established zone will be a self-built "park within park", and catering for the conglomerate's need. With the land provided by Hainan RSC, subject to complying with the overall planning requirement of Hainan RSC, enterprises can carry out their own construction according to their own needs.

I. Mingyue Ju residential development project is located at Plot B in the start-up zone with a total gross floor area of approximately 34,000 square metres. The construction of Mingyue Ju was completed in December 2014. Mingyue Ju is held for sale, of which approximately 1,177 square metres and 15,177 square metres were sold during the eleven months ended 30 November 2015 and as at 30 November 2015 respectively.

II. The construction of Meilun Tertiary Time Tropical Style Commercial Street in Plot E has commenced in the first half of 2013. It occupies a site area of approximately 90 Mu. Its overall construction planning and design covers 16 blocks of building with a total gross floor area of 72,000 square metres. The gross floor areas of these buildings range from 300 to 6,000 square metres. The construction of the commercial street was substantially completed as at 31 December 2014. In early 2015, owing to market demand, finetuning works were carried out to add supermarket element in the commercial street complex and were expected to be completed by the end of 2015. Its opening depends on the progress of pre-leasing. Upon completion, the commercial street is intended to be held for rental purposes. Premarketing and pre-leasing went well as at 30 November 2015.

III. The large-scale enterprises zone in Plot C consists of five phases, and construction has commenced in the first half of 2014. Phase 1 consists of 13 office buildings with a total gross floor area of 43,000 square metres. The gross floor areas of these buildings range from 1,600 to 10,000 square metres. The main structures of the 13 office buildings of Phase 1 were topped off and facade, windows and doors works were basically completed as at 30 November 2015 and the construction is scheduled for completion by the end of 2015. Upon completion, they are intended to be held either for sale or rental purposes.

    Phase 2 is divided into southern and northern areas and consists of 41 office buildings with a total gross floor area of 197,000 square metres. The construction has commenced in the first half of 2015. The gross floor areas of these buildings range from 1,700 to 17,000 square metres. As at 30 November 2015, the main structures of 35 office buildings were topped off and the construction of the other 6 office buildings has commenced. The construction of the 41 office buildings of Phase 2 is scheduled for completion in the second half of 2016. Upon completion, they are intended to be held either for sale or rental purposes.

IV. Youth entrepreneurship blocks zone in Plot G is planned to consist of three phases. Phase 1 consists of 3 residential buildings with a total gross floor area of 96,000 square metres, and construction has commenced in the first half of 2014. As at 30 November

2015, the main structure was topped off and facade, windows and doors works were basically completed while the construction is scheduled for completion by the end of 2015. Upon completion, it is intended to be held for sale.

V. With respect to business solicitation, Hainan RSC has carried out an in-depth cooperation with Shenzhen Tencent Computer Systems Company Limited（深圳市騰訊計算機系統有限公司）, and has inaugurated the internet industrial cluster massive plan in Hainan, with an aim to develop Hainan RSC into an internet industrial cluster zone as well as an international internet economic demonstration zone in Hainan. As at 30 November 2015, there were approximately 805 enterprises operating in Hainan RSC.

Xi'an Industrial Park

Xi'an Industrial Park is situated in Xi'an and occupies a site area of 470 Mu, of which 202 Mu of land has already been acquired, and application for the purchase of the rest from the government is in progress. The park targets at enterprises engaging in producer and consumer information services industries such as cloud computing services, integrated circuit design, software research and development, information services, information security and electronic commerce. The overall planning of the industrial park is substantially completed.

Phase 1 consists of 5 office buildings. The gross floor areas of No. 1 to No. 4 office buildings range from 2,000 to 4,000 square metres, and the gross floor area of No. 5 office building is 17,000 square metres. The construction of Phase 1 was completed in the third quarter of 2015 and filing procedure of completion of construction works has commenced. No. 1 to No. 4 buildings of Phase 1 are intended to be held for sale. No. 1 and No. 2 buildings were pre-sold to Huada Electronics, and No. 3 and No. 4 buildings are currently at the pre-marketing stage. No. 5 building of Phase 1 is intended to be held for rental purposes and is currently at the pre-leasing stage.

Phase 2 consists of 9 buildings. No. 1 to No. 7 buildings are single block office buildings with gross floor area ranges from 2,000 to 6,000 square metres, and the gross floor area of No. 8 office building is 50,000 square metres. No. 9 building is a steel-structured two-storey training centre with a gross floor area of 7,000 square metres. The construction of No. 9 building of Phase 2 has commenced in the first half of 2014 and was completed in the third quarter of 2015 and filing procedure of completion of construction works has commenced. Construction of No. 1 to No. 8 buildings of Phase 2 has commenced in the second half of 2014. Owing to market demand and favorable policies introduced during the construction, modification has been made to the development of Phase 2. The construction of No. 1 to No. 7 buildings is scheduled for completion in the first half of 2016. The construction of No. 8 building is scheduled for completion in 2017. No. 1 to No. 7 buildings of Phase 2 are intended to be held for sale and are currently at the pre-marketing stage. No. 9 building of Phase 2 is intended to be held for rental purposes and will be leased out for a term of 10 years upon completion. No. 8 building of Phase 2 is intended to be held for rental purposes.

Beihai Industrial Park

Beihai Industrial Park is situated in Beihai, Guangxi. The park targets at manufacturers of computers and computer storage, as well as enterprises engaging in software research and services, and the production of key parts of LCD monitors and A/D power.

CEC Beihai has been actively negotiating with the People's Government of Beihai on the joint development and construction of Beibu Gulf Eco-Wisdom Electronics City and both parties have reached a preliminary intention of construction of Beibu Gulf Information Harbour. As an integral part of Beibu Gulf Eco-Wisdom Electronics City, Beibu Gulf Eco-Wisdom Electronics City will cater for the development needs of emerging high-tech industries such as electronic commerce, software development and information services, smart manufacturing and innovative design. As at 30 November 2015, the site selection is completed and feasibility analysis has commenced.

In addition, CEC Beihai has also been actively communicating with relevant government departments for the purchase of a piece of land with a site area of approximately 170 Mu designated for commercial development by the seaside. The site will be developed into Beibu Gulf CEC Plaza, and it is intended that it will become the preferred commercial services zone for Beibu Gulf Eco-Wisdom Electronics City. This commercial and residential development will offer space for business, residential and hospitality. As at 30 November 2015, the general design of the project is completed.

At the same time, in order to upgrade the auxiliary facilities of Beihai Industrial Park, CEC Beihai has commenced subsequent construction of Beihai Industrial Park. It consists of the construction of an incubation building with a gross floor area of approximately 18,000 square metres, and the establishment of a public services zone for enterprises incubation providing incubation platform in order to promote and nurture quality enterprise to operate in the park. CEC Beihai has integrated the investment plan of the incubation building project into the Information Harbour Phase 1 for an overall construction planning, as the progress of the Information Harbour establishment project went ahead of schedule.

OUTLOOK

The central government has adopted various effective measures to enhance the upgrade of traditional industries and strengthen the development of new industries, technology and new economic growth engines for the industries in order to optimize and enhance industrial and economic structure as well as maintain China's stable mid-to long-term economic development. It is believed that these measures will bring new growth opportunities. The Group will be committed to enhance and optimize fundamental space and cluster services and focus on development of information technology-oriented industrial parks. It will also leverage its own professional advantages in development, services and customers, actively commence strategic cooperation as well as accelerate development of integrated business such as design, construction, commercial operation and management consultation of the whole value chain.

FINANCIAL REVIEW OF THE CEC TECHNOLOGY GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

Revenue

For the year ended 31 December 2012, the CEC Technology Group recorded a revenue of RMB9.0 million. The CEC Technology Group's revenue was mainly derived from sales of properties and land use rights, and rental income of CEC Beihai. All properties developed were held for rental yields during the period under review and there were no sales of developed properties. CEC Beihai also sold the land use rights of certain plots of land to third parties during the period under review and the continuing decrease in revenue from sales of land use rights reflected CEC Beihai's focus on developing properties on its land instead of selling land before development. Rental income remained relatively stable during the period under review.

Sales of land use rights mainly comprises the revenues from the sale of certain land use rights of land owned by CEC Beihai. Land use rights covering 43 mu of land were sold for the year ended 31 December 2012 and a revenue of RMB5.9 million was realised for the year ended 31 December 2012.

CEC Technology and CEC Beihai hold certain office units which are leased out with terms ranging from 1 to 20 years. While rent-free periods are applicable to these tenancy agreements, rental income is recognised over the terms of the lease on a straight-line basis. Rental income for year ended 31 December 2012 was relatively stable at RMB3.1 million.

Cost of Sales

The CEC Technology Group incurred cost of sales of RMB5.1 million for the year ended 31 December 2012. Cost of sales mainly comprised (i) cost of land use rights; (ii) construction costs of properties; and (iii) business tax and related surcharges. The fluctuation in cost of sales was mainly driven by the costs of properties sold and land use rights sold.

Gross (loss)/profit

The CEC Technology Group recorded a gross profit of RMB4.0 million for the year ended 31 December 2012, representing a decrease of 36.4% as compared to 2011. The decrease in gross profit for the year ended 31 December 2012 as compared to the year ended 31 December 2011 is mainly due to the decrease in revenue generated from the sale of land use rights in 2012.

Other gains/(losses), net

The CEC Technology Group incurred other gains of RMB101.7 million for the year ended 31 December 2012. Other gains, net mainly comprise (i) fair value gains on investment properties of RMB58.7 million and (ii) an one-off gain of RMB40.3 million from the transfer of land use rights to Guangxi Future Land as capital injection.

Selling and marketing costs

The CEC Technology Group incurred selling and marketing costs of RMB6.5 million for the year ended 31 December 2012. Selling and marketing costs mainly comprise entertainment, marketing and travelling expenses.

Administrative expenses

The CEC Technology Group incurred administrative expenses of RMB34.9 million for the year ended 31 December 2012. Administrative expenses mainly comprise employee benefit expenses, utilities and office supplies, depreciation charges and property management fees.

Share of (loss)/profit of associates

For the year ended 31 December 2012, share of profit of associates of the CEC Technology Group was RMB34.3 million. For the year ended 31 December 2012, the CEC Technology Group's share of the results of Hainan RSC was a profit of RMB34.3 million.

Hainan RSC

During the period under review, Hainan RSC derived its revenues mainly from the sales of properties, including apartments and office units. For the year ended 31 December 2012, Hainan RSC recorded a revenue of RMB182.7 million.

Profit for the Year

For the year ended 31 December 2012, the CEC Technology Group recorded a profit of RMB58.4 million.

Total assets

Total assets of the CEC Technology Group was RMB698.4 million as at 31 December 2012.

Non-current Assets

Non-current assets of the CEC Technology Group is RMB419.0 million as at 31 December 2012. Non-current assets of the CEC Technology Group mainly comprise (i) investment properties comprising office units and buildings held for rental purposes; (ii) investments in associates; and (iii) deferred tax assets.

The increase in non-current assets of the CEC Technology Group was due to (i) increases in the fair value of the investment properties; and (ii) increases in the carrying value of the CEC Technology Group's interest in an associate, namely Hainan RSC, as it commenced sales of properties in 2011.

Current Assets

On 31 December 2012, the current assets of the CEC Technology Group amounted to RMB279.3 million. Current assets of the CEC Technology Group mainly include (i) trade and other receivables; (ii) cash and cash equivalents; and (iii) assets held for sale.

Current assets of the CEC Technology Group increased 44.3% from RMB193.5 million on 31 December 2011 to RMB279.3 million on 31 December 2012. The increase is primarily due to (i) loans to other shareholders of Guangxi Future Land of RMB23.0 million; (ii) an increase of RMB45.7 million in assets held for sale (i.e. value of 50% equity interests in Guangxi Future Land resolved to be disposed by CEC Technology in 2012); (iii) RMB16.0 million of dividend receivables of Hainan RSC, an associate company of the CEC Technology Group.

Liabilities

On 31 December 2012, the aggregate amount of liabilities of the CEC Technology Group is RMB526.4 million, which mainly includes short-term and long-term bank loans, loans from CEC Finance, payables and income tax payables. Increase in loan amount reflected the development needs of the CEC Technology Group.

On 31 December 2012, net assets of the CEC Technology Group is RMB172.0 million.

Gearing Ratio

The CEC Technology Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and unsecured corporate bonds less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debt. The gearing ratios as at 31 December 2012 was 58%.

Current Capital, Financial Position, Pledged Assets and Capital Structure

As at 31 December 2012, CEC Technology Group had current ratios of 0.67. During the period under review, CEC Technology Group had mainly utilised loans to finance its development. As at 31 December 2012, such loans had a weighted average effective interest rate of 6.63%, and 66% of the borrowings are repayable within one year.

The CEC Technology Group's interest rate risk which affects its results and operating cash flows mainly arises from bank and other borrowings. The bank and other borrowings were at fixed rates. The CEC Technology did not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2012, CEC Technology Group had banking and other loan facilities with principal amount of approximately RMB315.9 million, which is secured by buildings and construction in progress, investment properties, land use rights, and land use rights held for sale with a carrying value of approximately RMB200.5 million.

Employment and Remuneration Policy

On 31 December 2012, the CEC Technology Group has 96 employees. Their remuneration is based on working performance and experience and is regularly reviewed with reference to industry practice. For the year ended 31 December 2012, the aggregate employment benefit expense of the CEC Technology Group is RMB14.3 million.

Significant Investments Held and Future Plans for Significant Investments or Capital Assets

Significant investments held by the CEC Technology Group are investment properties located in China and are leased for 1 to 20 years. On 31 December 2012, the assessed value is RMB286.8 million (2011: RMB253.3 million).

During the period under review, the CEC Technology Group had no plan for significant investments.

Material Acquisition/Disposal

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2012.

Capital Commitment and Contingent Liability

On 31 December 2012, the CEC Technology Group does not have any material capital commitment or contingent liability in relation to acquisition of fixed assets and intangible assets.

Risk of Foreign Exchange

The business of the CEC Technology Group is primarily located in China and main assets and liabilities of the CEC Technology Group were denominated in Renminbi. Therefore, the CEC Technology Group considers it does not undertake any significant risk of foreign exchange fluctuation and no hedging policy is required.

FINANCIAL REVIEW OF CEC TECHNOLOGY GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Revenue

For the year ended 31 December 2013, the CEC Technology Group recorded a revenue of RMB10.7 million, representing an increase of RMB9.0 million or 18.9% as compared with 2012. The CEC Technology Group's revenue was mainly derived from sales of properties and land use rights, and rental income of CEC Beihai. All properties developed were held for rental yields during the period under review and there were no sales of developed properties. CEC Beihai also sold the land use rights of certain plots of land to third parties during the period under review and the continuing decrease in revenue from sales of land use rights reflected CEC Beihai's focus on developing properties on its land instead of selling land before development. Rental income remained relatively stable during the period under review.

Sales of land use rights mainly comprises the revenues from the sale of certain land use rights of land owned by CEC Beihai and a revenue of RMB7.6 million was realised for the year ended 31 December 2013.

CEC Technology and CEC Beihai hold certain office units which are leased out with terms ranging from 1 to 20 years. While rent-free periods are applicable to these tenancy agreements, rental income is recognised over the terms of the lease on a straight-line basis. Rental income for year ended 31 December 2013 was relatively stable at RMB3.1 million.

Cost of Sales

The CEC Technology Group incurred cost of sales of RMB6.0 million for the year ended 31 December 2013. Cost of sales mainly comprised (i) cost of land use rights; (ii) construction costs of properties; and (iii) business tax and related surcharges. The fluctuation in cost of sales was mainly driven by the costs of properties sold and land use rights sold.

Gross (loss)/profit

The CEC Technology Group recorded a gross profit of RMB4.7 million for the year ended 31 December 2013, representing an increase of 18.4% as compared to 2012. The increase in gross profit for the year ended 31 December 2013 as compared to the year ended 31 December 2012 is mainly due to the increase in revenue generated from the sale of land use rights in 2013.

Other gains/(losses), net

The CEC Technology Group incurred other gains of RMB121.3 million for the year ended 31 December 2013. Other gains, net mainly comprise (i) fair value gains on investment properties of RMB21.3 million and (ii) an one-off gain of approximately RMB98.0 million on the transfer of 50 equity interests in Guangxi Future Land, a jointly controlled entity of the CEC Technology Group, to another shareholder.

Selling and marketing costs

The CEC Technology Group incurred selling and marketing costs of RMB4.2 million for the year ended 31 December 2013. Selling and marketing costs mainly comprise entertainment, marketing and travelling expenses. The decrease in selling and marketing costs in 2013 as compared to 2012 is mainly due the control of relevant expenses by the CEC Technology Group.

Administrative expenses

The CEC Technology Group incurred administrative expenses of RMB37.2 million for the year ended 31 December 2013. Administrative expenses mainly comprise employee benefit expenses, utilities and office supplies, depreciation charges and property management fees. The increase in administrative expenses in 2013 was mainly due to the increase in employee benefit expenses, professional and consulting fees and property management fees as a result of the growth of the CEC Technology Group's industrial park business.

Share of (loss)/profit of associates

For the year ended 31 December 2013, share of profit of associates of the CEC Technology Group was RMB13.4 million. For the year ended 31 December 2013, the CEC Technology Group's share of the results of Hainan RSC was a profit of RMB13.4 million.

Hainan RSC

During the period under review, Hainan RSC derived its revenues mainly from the sales of properties, including apartments and office units. For the year ended 31 December 2013, Hainan RSC recorded a revenue of RMB56.5 million.

CEC Xi'an

Currently, CEC Xi'an Industrial Park is still at development stage. It has generated a revenue of RMB0.3 million for the year ended 31 December 2013.

Profit for the Year

For the year ended 31 December 2013, the CEC Technology Group recorded a profit of RMB53.2 million.

Total assets

Total assets of the CEC Technology Group was RMB694.4 million as at 31 December 2013.

Non-current Assets

Non-current assets of the CEC Technology Group is RMB408.1 million as at 31 December 2013. Non-current assets of the CEC Technology Group mainly comprise (i) investment properties comprising office units and buildings held for rental purposes; (ii) investments in associates; and (iii) deferred tax assets.

Current Assets

On 31 December 2013, the current assets of the CEC Technology Group amounted to RMB286.3 million. Current assets of the CEC Technology Group mainly include (i) trade and other receivables; and (ii) cash and cash equivalents.

Current assets of the CEC Technology Group increased 2.5% from RMB279.3 million on 31 December 2012 to RMB286.3 million on 31 December 2013.

During the period under review, assets of CEC Xi'an mainly include (i) cash and cash equivalents; (ii) properties under development; and (iii) other receivables and prepayments. Properties under development mainly include construction costs and costs of land use rights.

Liabilities

On 31 December 2013, the aggregate amount of liabilities of the CEC Technology Group is RMB523.8 million, which mainly includes short-term and long-term bank loans, loans from CEC Finance, payables and income tax payables. Increase in loan amount reflected the development needs of the CEC Technology Group.

On 31 December 2013, net assets of the CEC Technology Group is RMB170.6 million.

Gearing Ratio

The CEC Technology Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and unsecured corporate bonds less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debt. The gearing ratios as at 31 December 2013 was 68%.

Current Capital, Financial Position, Pledged Assets and Capital Structure

On 31 December 2013, current ratio of the CEC Technology Group is 0.6. Although liquidity has improved comparing with previous years, still it is relatively low and further improvements are required.

During the period under review, the CEC Technology Group funded its development by loans. In 2013, the loan related weighted average effective interest rate is 5.62% with a significant decrease of 6.63% in finance cost comparing with 2012. Among all loans, 87.0% is payable within one year.

The CEC Technology Group's interest rate risk which affects its results and operating cash flows mainly arises from bank and other borrowings. The bank and other borrowings were at fixed rates. The CEC Technology did not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2013, CEC Technology Group had banking and other loan facilities with principal amount of approximately RMB399.7 million, which is secured by buildings and construction in progress, investment properties, land use rights, and properties under development with a carrying value of approximately RMB157.1 million.

Employment and Remuneration Policy

On 31 December 2013, the CEC Technology Group has 114 employees. Their remuneration is based on working performance and experience and is regularly reviewed with reference to industry practice. For the year ended 31 December 2013, the aggregate employment benefit expense of the CEC Technology Group is RMB12.7 million.

Significant Investments Held and Future Plans for Significant Investments or Capital Assets

Significant investments held by the CEC Technology Group are investment properties located in China and are leased for 1 to 20 years. On 31 December 2013, the assessed value is RMB308.2 million (2012: RMB286.8 million).

Material Acquisition/Disposal

In 2013, CEC Technology entered into agreements with the other two shareholders of CEC Xi'an (a then associate of CEC Technology Group), China National Software & Service Co., Ltd (中國軟件與技術服務股份有限公司) and the 6th Research Institute of China Electronics Corporation Limited (中國電子信息產業集團有限公司第六研究所), both of whom are under common control of CEC Technology, for the acquisition of their then entire equity interests in CEC Xi'an totalling 38.96% for the cash consideration of RMB54 million. The acquisition of the 38.96% equity interest in CEC Xi'an by CEC Technology was completed in August 2013 and as a result, CEC Technology holds 73.91% equity interest in CEC Xi'an after the transaction. CEC Xi'an has become a subsidiary of CEC Technology since then.

Capital Commitment and Contingent Liability

On 31 December 2013, the CEC Technology Group does not have any material capital commitment or contingent liability in relation to acquisition of fixed assets and intangible assets.

Risk of Foreign Exchange

The business of the CEC Technology Group is primarily located in China and main assets and liabilities of the CEC Technology Group were denominated in Renminbi. Therefore, the CEC Technology Group considers it does not undertake any significant risk of foreign exchange fluctuation and no hedging policy is required.

FINANCIAL REVIEW OF THE CEC TECHNOLOGY GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

Revenue

For the year ended 31 December 2014, the CEC Technology Group recorded a revenue of RMB5.6 million. The CEC Technology Group's revenue was mainly derived from sales of properties and land use rights, and rental income of CEC Beihai. All properties developed were held for rental yields during the period under review and there were no sales of developed properties. CEC Beihai also sold the land use rights of certain plots of land to third parties during the period under review and the continuing decrease in revenue from sales of land use rights reflected CEC Beihai's focus on developing properties on its land instead of selling land before development. Rental income remained relatively stable during the period under review.

CEC Technology and CEC Beihai hold certain office units which are leased out with terms ranging from 1 to 20 years. While rent-free periods are applicable to these tenancy agreements, rental income is recognised over the terms of the lease on a straight-line basis.

Cost of Sales

The CEC Technology Group incurred cost of sales of RMB1.8 million for the year ended 31 December 2014. Cost of sales mainly comprised (i) cost of land use rights; (ii) construction costs of properties; and (iii) business tax and related surcharges. The fluctuation in cost of sales was mainly driven by the costs of properties sold and land use rights sold.

Gross (loss)/profit

The CEC Technology Group recorded a gross profit of RMB3.8 million for the year ended 31 December 2014.

Other gains/(losses), net

The CEC Technology Group incurred other gains of RMB34.1 million for the year ended 31 December 2014. Other gains, net mainly comprise fair value gains on investment properties of RMB18.9.

Selling and marketing costs

The CEC Technology Group incurred selling and marketing costs of RMB6.3 million for the year ended 31 December 2014. Selling and marketing costs mainly comprise entertainment, marketing and travelling expenses.

Administrative expenses

The CEC Technology Group incurred administrative expenses of RMB39.9 million for the year ended 31 December 2014. Administrative expenses mainly comprise employee benefit expenses, utilities and office supplies, depreciation charges and property management fees.

Share of (loss)/profit of associates

For the year ended 31 December 2014, share of profit of associates of the CEC Technology Group was RMB14.9 million.

Loss for the Year

For the year ended 31 December 2014, the CEC Technology Group recorded a loss of RMB15.2 million.

Total assets

Total assets of the CEC Technology Group was RMB1,337.8 million as at 31 December 2014.

Non-current Assets

Non-current assets of the CEC Technology Group is RMB825.9 million as at 31 December 2014. Non-current assets of the CEC Technology Group mainly comprise (i) investment properties comprising office units and buildings held for rental purposes; (ii) investments in associates; and (iii) deferred tax assets.

The increase in non-current assets of the CEC Technology Group was due to (i) increases in the fair value of the investment properties; and (ii) increases in the carrying value of the CEC Technology Group's interest in an associate, namely Hainan RSC, as it commenced sales of properties in 2011.

Current Assets

On 31 December 2014, the current assets of the CEC Technology Group amounted to RMB511.9 million. Current assets of the CEC Technology Group mainly include (i) trade and other receivables; (ii) cash and cash equivalents; and (iii) assets held for sale.

Current assets of the CEC Technology Group increased from RMB286.3 million on 31 December 2013 to RMB511.9 million on 31 December 2014, which was mainly attributable to an increase of RMB91.1 million in cash and cash equivalents from raising loans of the Company during the period.

During the period under review, assets of CEC Xi'an mainly include (i) cash and cash equivalents; (ii) properties under development; and (iii) other receivables and prepayments. Properties under development mainly include construction costs and costs of land use rights.

Liabilities

On 31 December 2014, the aggregate amount of liabilities of the CEC Technology Group is RMB1,182.4 million, which mainly includes short-term and long-term bank loans, loans from CEC Finance, payables and income tax payables. Increase in loan amount reflected the development needs of the CEC Technology Group.

On 31 December 2014, net assets of the CEC Technology Group is RMB155.4 million.

Gearing Ratio

The CEC Technology Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and unsecured corporate bonds less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debt. The gearing ratios as at 31 December 2014 was 86%.

Current Capital, Financial Position, Pledged Assets and Capital Structure

As at 31 December 2014, CEC Technology Group had current ratios of 2.8. During the period under review, CEC Technology Group had mainly utilised loans to finance its development. As at 31 December 2014, such loans had a weighted average effective interest rate of 3.79%, and 5% of the borrowings are repayable within one year.

The CEC Technology Group's interest rate risk which affects its results and operating cash flows mainly arises from bank and other borrowings. The bank and other borrowings were at fixed rates. The CEC Technology did not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2014, CEC Technology Group had banking facilities with principal amount of approximately RMB1,051 million, which is secured by investment properties, land use rights, properties under development, and short-term deposits with a carrying value of approximately RMB1,192.9 million.

Employment and Remuneration Policy

On 31 December 2014, the CEC Technology Group has 100 employees. Their remuneration is based on working performance and experience and is regularly reviewed with reference to industry practice. For the year ended 31 December 2014, the aggregate employment benefit expense of the CEC Technology Group is RMB19.1 million.

Significant Investments Held and Future Plans for Significant Investments or Capital Assets

Significant investments held by the CEC Technology Group are investment properties located in China and are leased for 1 to 20 years. On 31 December 2014, the assessed value is RMB323.0 million (2013: RMB308.2 million).

During the period under review, the CEC Technology Group had no plan for significant investments.

Material Acquisitions/Disposals

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2014.

Capital Commitment and Contingent Liability

As at 31 December 2014, the CEC Technology Group does not have any material capital commitment or contingent liability in relation to acquisition of fixed assets and intangible assets.

Risk of Foreign Exchange

The business of the CEC Technology Group is primarily located in China and main assets and liabilities of the CEC Technology Group were denominated in Renminbi. Therefore, the CEC Technology Group considers it does not undertake any significant risk of foreign exchange fluctuation and no hedging policy is required.

FINANCIAL REVIEW OF THE CEC TECHNOLOGY GROUP FOR THE ELEVEN MONTHS ENDED 30 NOVEMBER 2015

Revenue

For the eleven months ended 30 November 2015, the CEC Technology Group recorded a revenue of RMB8.9 million. The CEC Technology Group's revenue was mainly derived from rental income of CEC Beihai. All properties developed were held for rental yields during the period under review and there were no sales of developed properties. Rental income remained relatively stable during the period under review.

CEC Technology and CEC Beihai hold certain office units which are leased out with terms ranging from 1 to 20 years. While rent-free periods are applicable to these tenancy agreements, rental income is recognised over the terms of the lease on a straight-line basis.

Cost of Sales

The CEC Technology Group incurred cost of sales of RMB3.1 million for the eleven months ended 30 November 2015. Cost of sales mainly comprised business tax and related surcharges.

Gross (loss)/profit

The CEC Technology Group recorded a gross profit of RMB5.8 million for the eleven months ended 30 November 2015.

Other gains/(losses), net

The CEC Technology Group incurred other gains of RMB121.1 million for the eleven months ended 30 November 2015, which was mainly a gain of RMB75.3 million from fair value change of investment properties and RMB37.4 million from entrusted loans.

Selling and marketing costs

The CEC Technology Group incurred selling and marketing costs of RMB3.0 million for the eleven months ended 30 November 2015. Selling and marketing costs mainly comprise entertainment, marketing and travelling expenses.

Administrative expenses

The CEC Technology Group incurred administrative expenses of RMB25.7 million for the eleven months ended 30 November 2015. Administrative expenses mainly comprise employee benefit expenses, utilities and office supplies, depreciation charges and property management fees.

Share of (loss)/profit of associates

For the eleven months ended 30 November 2015, share of loss of associates of the CEC Technology Group was RMB0.7 million.

Profit for the Year

For the eleven months ended 30 November 2015, the CEC Technology Group recorded a profit of RMB59.8 million.

Total assets

Total assets of the CEC Technology Group was RMB1,728.9 million as at 30 November 2015.

Non-current Assets

Non-current assets of the CEC Technology Group is RMB559.0 million as at 30 November 2015. Non-current assets of the CEC Technology Group mainly comprise (i) investment properties comprising office units and buildings held for rental purposes; (ii) investments in associates; and (iii) deferred tax assets.

The decrease in non-current assets of the CEC Technology Group was due to the reclassification of RMB245 million of entrusted Loan to Hainan Investment to current asset.

Current Assets

On 30 November 2015, the current assets of the CEC Technology Group amounted to RMB1,169.9 million. Current assets of the CEC Technology Group mainly include (i) trade and other receivables; (ii) cash and cash equivalents; and (iii) assets held for sale.

During the period under review, assets of CEC Xi'an mainly include (i) cash and cash equivalents; (ii) properties under development; and (iii) other receivables and prepayments. Properties under development mainly include construction costs and costs of land use rights.

Liabilities

On 30 November 2015, the aggregate amount of liabilities of the CEC Technology Group is RMB1,513.7 million, which mainly includes short-term and long-term bank loans, loans from CEC Finance, payables and income tax payables. Increase in loan amount reflected the development needs of the CEC Technology Group.

On 30 November 2015, net assets of the CEC Technology Group is RMB215.2 million.

Gearing Ratio

The CEC Technology Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and unsecured corporate bonds less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debt. The gearing ratios as at 30 November 2015 was 86%.

Current Capital, Financial Position, Pledged Assets and Capital Structure

As at 30 November 2015, CEC Technology Group had current ratios of 2.0. During the period under review, CEC Technology Group had mainly utilised loans to finance its development. As at 30 November 2015, such loans had a weighted average effective interest rate of 2.06%, and 25% of the borrowings are repayable within one year.

The CEC Technology Group's interest rate risk which affects its results and operating cash flows mainly arises from bank and other borrowings. The bank and other borrowings were at fixed rates. The CEC Technology did not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 30 November 2015, CEC Technology Group had banking facilities with principal amount of approximately RMB1,340.0 million, which is secured by deposits in bank with a carrying value of approximately RMB1,031.0 million.

Employment and Remuneration Policy

On 30 November 2015, the CEC Technology Group has 83 employees. Their remuneration is based on working performance and experience and is regularly reviewed with reference to industry practice. For the eleven months ended 30 November 2015, the aggregate employment benefit expense of the CEC Technology Group is RMB15.7 million.

Significant Investments Held and Future Plans for Significant Investments or Capital Assets

Significant investments held by the CEC Technology Group are investment properties located in China and are leased for 1 to 20 years. On 30 November 2015, the assessed value is RMB471.1 million (2014: RMB323.0 million).

During the period under review, the CEC Technology Group had no plan for significant investments.

Material Acquisition/Disposal

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the eleven months ended 30 November 2015.

Capital Commitment and Contingent Liability

As at 30 November 2015, the CEC Technology Group does not have any material capital commitment or contingent liability in relation to acquisition of fixed assets and intangible assets.

Risk of Foreign Exchange

The business of the CEC Technology Group is primarily located in China and main assets and liabilities of the CEC Technology Group were denominated in Renminbi. Therefore, the CEC Technology Group considers it does not undertake any significant risk of foreign exchange fluctuation and no hedging policy is required.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2015 (the "Unaudited Pro Forma Financial Information") of the Enlarged Group, being Optics Valley Union Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") together with China Electronics Technology Development Co., Ltd. (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group"), as if the proposed acquisition of 100% equity interest in the Target Company (the "Proposed Acquisition") had been completed on 30 June 2015. Details of the Proposed Acquisition are set out in the section headed "Letter from the Board" contained in this Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of illustrating the effect of the Proposed Acquisition pursuant to the terms of the equity interest transfer agreement between the Company and AAA Finance & Investment Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, and China Electronics Corporation Holdings Company Limited, as vendor (the "Equity Interest Transfer Agreement").

The Unaudited Pro Forma Financial Information is based upon:

(a) the consolidated interim financial information of the Group as at 30 June 2015, which has been extracted from the Company's published announcement dated 15 December 2015;

(b) the consolidated statement of financial position of the Target Group as at 30 November 2015 which has been extracted from Appendix II-A to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Proposed Acquisition might have affected the historical financial information in respect of the Enlarged Group as if the Proposed Acquisition had been completed on 30 June 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of these assumptions, estimates and uncertainties, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on the dates indicated herein. Furthermore, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the published announcement dated 15 December 2015 for the six months ended 30 June 2015, the financial information of the Target Group as set out in Appendix II-A of the Circular and other financial information included elsewhere in this circular.

(ii) Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 30 June 2015	The Target Group as at 30 November 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000* *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000* *(Note 3)*	*RMB'000*
Non-current assets						
Property, plant and equipment	282,648	13,961	—	29,146	—	325,755
Investment properties	689,950	471,143	—	—	—	1,161,093
Intangible assets	4,220	—	—	—	—	4,220
Land use rights	—	23	—	2,219	—	2,242
Interest in associates	3,760	43,135	—	471,299	—	518,194
Interest in joint ventures	37,260	15,004	—	142,005	—	194,269
Other investment	11,000	—	—	—	—	11,000
Investment in subsidiary	—	—	699,855	—	(699,855)	—
Deferred tax assets	62,935	15,730	—	—	—	78,665
	1,091,773	558,996				2,295,438
Current assets						
Land use rights held for sale and properties under development	3,101,657	219,982	—	55,384	—	3,377,023
Completed properties held for sale	1,988,653	—	—	—	—	1,988,653
Inventories and contracting work-in-progress	280,242	—	—	—	—	280,242
Trade and other receivables	1,132,544	875,035	—	—	—	2,007,579
Current tax assets	14,282	—	—	—	—	14,282
Restricted cash	284,873	—	—	—	—	284,873
Cash and cash equivalents	658,391	57,413	—	—	—	715,804
Available-for-sale financial assets	—	17,500	—	—	—	17,500
	7,460,642	1,169,930				8,685,956
Total assets	**8,552,415**	**1,728,926**				**10,981,394**

	The Group as at 30 June 2015	The Target Group as at 30 November 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000* *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000* *(Note 3)*	*RMB'000*
Current liabilities						
Trade and other payables	2,144,264	103,185	—	—	—	2,247,449
Loans and borrowings	1,427,246	340,000	—	—	—	1,767,246
Corporate bond payables	280,696	—	—	—	—	280,696
Current tax liabilities	68,439	56,274	—	—	—	124,713
Current portion of deferred income	4,167	—	—	—	—	4,167
	3,924,812	499,459	—	—	—	4,424,271
Net current assets	3,535,830	670,471				4,261,685
Total assets less current liabilities	4,627,603	1,229,467				6,557,123
Non-current liabilities						
Loans and borrowings	1,067,650	1,000,000	—	—	—	2,067,650
Corporate bonds payable	806,697	—	—	—	—	806,697
Deferred tax liabilities	109,714	14,239	—	180,375	—	304,328
Non-current portion of deferred income	37,503	—	—	—	—	37,503
Total non-current liabilities	**2,021,564**	**1,014,239**				**3,216,178**
Net assets	**2,606,039**	**215,228**				**3,340,945**

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The pro forma adjustment represents the consideration of RMB699,854,600 (equivalent to HK$846,824,066) to acquire 100% equity interest of the Target Group by the issuance of 1,058,530,083 Consideration Shares at HK$0.8 per share with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Company. However, the fair value of the Consideration Shares issued as consideration for the Proposed Acquisition so arrived at as aforesaid of RMB699,854,600 and used for the purpose of the preparation of the Unaudited Pro Forma Financial Information set out above may be substantially different from their actual fair value based on share price at the Completion Date.

Upon the issuance of the 1,058,530,083 Consideration Shares by the Company in connection with the Proposed Acquisition, the share capital and the reserve of the Company will be increased by approximately RMB87,481,825 and RMB612,372,775, respectively. The increase in amount of share capital and the reserve of the Company at actual Completion Date may be substantially different from the amount stated herein due to the difference between the fair value of the Consideration Shares at the valuation date and the actual Completion Date.

For purpose of this Unaudited Pro Forma Financial Information, the consideration was translated into Renminbi at the approximately exchange rate of RMB1 to HK$1.21, and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

(2) The pro forma adjustment reflects fair value adjustment of the identifiable assets and liabilities of the Target Group. Upon completion of the proposed acquisitions of the 100% equity interest in the Target Group, the identifiable assets and liabilities of the Target Group will be accounted for in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard 3 (Revised) "Business Combinations".

For the purpose of preparing this Unaudited Pro Forma Financial Information, the Directors of the Company have estimated the fair value of the identifiable assets and liabilities of the Target Group based on a separate business valuation report prepared by DTZ Debenham Tie Leung Limited on 25 February 2016.

The Directors estimated the fair value adjustments to the identifiable assets and liabilities as below as at 30 November 2015:

- Fair value adjustments to identifiable assets:

	RMB'000
Property, plant and equipment	29,146
Interest in associates	471,299
Interest in joint ventures	142,005
Land use rights held for sale and properties under development	55,384
Land use rights	2,219
Total fair value adjustment of identifiable assets of the Target Group	700,053

The total fair value adjustment of RMB613,304,000 to the interests in associates and joint ventures had taken into consideration the effect of land appreciation tax amounted to RMB44,422,000 for the related properties developed for future sales.

- Fair value adjustments to identifiable liabilities:

	RMB'000
Deferred tax liabilities	180,375
Total fair value adjustment of identifiable liabilities of the Target Group	180,375

Related deferred tax liabilities of RMB180,375,000 are arising from the fair value surplus on the property, plant and equipment, properties under development, land use rights and interests joint ventures and associates.

The fair value of the identifiable net assets of the Target Group is calculated as follows:

	RMB'000
Net assets value of the Target Group before the Proposed Acquisition	215,228
Fair value adjustment on the Target Group's identifiable assets	700,053
Effect of deferred tax liabilities estimated at corporate income tax rate applicable to the respective entities	(180,375)
Total fair value of identifiable net assets of the Target Group	734,906

The fair value of the identifiable assets and liabilities of the Target Group as at the Closing Date is still under reassessment which may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group. Once information on the fair value of the identifiable net assets of the Target Group is available, the gain on bargain purchase recognised for identifiable assets and liabilities acquired at the Closing Date may be different from the amount presented above.

(3) The pro forma adjustment represents the consolidation entry to eliminate the cost of the Proposed Acquisition on Consolidation.

The gain on bargain purchase of the Enlarged Group represents the excess of the cost of the Proposed Acquisition over the estimated fair value of the identifiable net assets of the Target Group. For the purpose of this Unaudited Pro Forma Financial Information, the Directors of the Company had assumed that: (i) the consideration of the Proposed Acquisition was RMB699,855,000 as set out in Note 1 above, which pursuant to the Equity Interest Transfer Agreement; (ii) the non-controlling interests represented 26.09% non-controlling interest in China Electronics Xi'an

Industrial Park Development Co., Ltd., a non-wholly-owned subsidiary of the Target Company, which are calculated by multiplying 26.09% with the fair value of identifiable net assets of China Electronics Xi'an Industrial Park Development Co., Ltd. as at 30 November 2015 estimated based on a valuation report dated 25 February 2016 prepared by DTZ Debenham Tie Leung Limited; and (iii) the estimated fair value of the identifiable net assets of the Target Group as at 30 November 2015 as set out in Note 2 above. The gain arising from the Proposed Acquisition is calculated as follows:

	RMB'000
The consideration of the Proposed Acquisition	699,855
Non-controlling interests	34,950
Less: fair value of identified net assets acquired	(734,906)
Gain on bargain purchase arising from the Proposed Acquisition	(101)

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group, and the accounting policies and the principal assumptions will be consistently adopted in the first set of the financial statements of the Company after completion of Proposed Acquisition.

Since the fair value of the identifiable net assets of the Target Group at the date of the completion of the Proposed Acquisition may be substantially different from the respective value used in this Unaudited Pro Forma Financial Information of the Enlarged Group, the gain on bargain purchase recognized at the completion date of the Proposed Acquisition may be different from the amount presented above.

(4) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the Directors determined that such costs are insignificant. The total acquisition-related costs are estimated to be approximately RMB5 million.

(5) No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group subsequent to 30 June 2015, and of the Target Group subsequent to 30 November 2015.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

25 February 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF OPTICS VALLEY UNION HOLDING COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Optics Valley Union Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2015 and related notes as set out in Part A of Appendix IV to the circular dated 25 February 2016 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 100% equity interest of China Electronics Technology Development Co., Ltd. (the "Proposed Acquisition") on the Group's assets and liabilities as at 30 June 2015 as if the Proposed Acquisition had taken place at 30 June 2015. As part of this process, information about the Group's assets and liabilities as at 30 June 2015 has been extracted by the Directors from the consolidated financial statements of the Company for the six months ended 30 June 2015, on which an audit report has been published.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by CEC Technology Group in the PRC as at 30 November 2015.

DTZ CUSHMAN & WAKEFIELD 戴德梁行

16/F, Jardine House
1 Connaught Place
Central
Hong Kong

25 February 2016

The Board of Directors
Optics Valley Union Holdings Company Limited
Unit 2902, 29th Floor
China Insurance Group Building
No. 141 Des Voeux Road Central
Hong Kong

Dear Sirs,

Instructions, Purpose & Valuation date

In accordance with the instructions of Optics Valley Union Holdings Company Limited (光谷聯合控股有限公司) (the "Company") for us to carry out the valuation of the market value of the properties (the "Properties") held by China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司) ("CEC Technology") and its subsidiaries, joint venture and associate (together "CEC Technology Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 30 November 2015 (the "valuation date").

CEC Technology is a wholly-owned subsidiary of China Electronics Corporation Holdings Company Limited.

Definition of Market Value

Our valuations of each of the Properties represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties held by CEC Technology Group in the PRC, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by CEC Technology Group, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

According to financial information of CEC Technology Group for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are the PRC business tax (approximately 5% of the sales consideration) and the PRC land appreciation tax (approximately 30%-60% of the appreciation amount). According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

For portions of the Properties in Group I held by CEC Technology Group for sale, a potential tax liability attributable to CEC Technology Group estimated to be approximately RMB8,230,000 would arise if such Properties were to be sold at the amount of valuations. Depending on the sale status, there is likelihood of such liability referred to in above being crystallized. The remaining portion of the Properties in Group I held by CEC Technology Group for investment and Group II held by CEC Technology Group for development respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

Method of Valuation

In valuing the Properties in Group I, which are held by CEC Technology Group for sale/ investment in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market or where appropriate, we have also valued the Properties by Investment Approach by capitalizing the rental derived from the existing tenancies with due provision for the reversionary rental potential of the Properties.

In valuing the Properties in Group II, which are held by CEC Technology Group for development in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also taken into account the expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by CEC Technology Group. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, completion dates of building, construction cost, particulars of occupancy, development scheme, tenancy information, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the CEC Technology Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by CEC Technology Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our DTZ PRC Offices valuers, Eric Fan, Jack Sun, Stephanie Shen, Jeff Cui have inspected the exterior and, wherever possible, the interior of the properties in August 2015 respectively. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Remark

Please note that DTZ Debenham Tie Leung Limited is also appointed by the Company (stock code: 798) and China Electronics Corporation Holdings Company Limited (stock code: 85) to prepare valuations of the same properties for public disclosure purpose respectively. DTZ Debenham Tie Leung Limited has sought consent from the Company for us to carry out the valuations for China Electronics Corporation Holdings Company Limited. The Company and China Electronics Corporation Holdings Company Limited understand that our valuations are carried out on an impartial basis without bias to any party concerned.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 23 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 30 November 2015	CEC Technology Group's attributable interest	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group
		RMB	*%*	*RMB*
Group I — Property held by CEC Technology Group for sales/investment in the PRC				
1.	Retail and residential units of Qingfen Ju, Hainan Resort Software Community ("Hainan RSC"), north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	28,480,000	40%	11,392,000
2.	Office buildings in Lot B, Hainan RSC, north of 700m of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	94,600,000	40%	37,840,000
3.	Incubation building in Lot A, Hainan RSC, north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	95,100,000	40%	38,040,000
4.	CEC Beihai Industrial Park ("Beihai Industrial Park"), north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	409,432,000	100%	409,432,000

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
5.	Level 15, CEC Building, No. 6 Zhongguancun Nandajie, Haidian District, Beijing, the PRC	50,400,000	100%	50,400,000
	sub-total of Group I in RMB:	**678,012,000**		**547,104,000**

Group II — Properties held by CEC Technology Group for development in the PRC

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
6.	Mingyue Ju, south of Boyuan Road and Ruifeng Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	113,200,000	40%	45,280,000
7.	Portion of Lot A located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	36,400,000	40%	14,560,000
8.	Lot C located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	721,300,000	40%	288,520,000

	Property	Market Value in existing state as at 30 November 2015	CEC Technology Group's attributable interest	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group
		RMB	*%*	*RMB*
9.	A site located at northeast of Yingbin Road and Haipin Erheng Road, Yingbin Peninsula, Hainan Province, the PRC	46,000,000	40%	18,400,000
10.	A proposed residential development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	418,600,000	40%	167,440,000
11.	A proposed retail development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	375,000,000	40%	150,000,000
12.	A proposed residential and industrial development in Plot G, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	527,500,000	40%	211,000,000

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
13.	Portion of Lot B located at north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	52,000,000	40%	20,800,000
14.	Portion of Lot B located at south of Boyuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	47,800,000	40%	19,120,000
15.	Three sites of Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	3,800,000	100%	3,800,000
16.	A proposed residential development located at the northeast of the junction of Nanzhu Avenue and Taiwan Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	509,821,000	28.9%	147,338,300

	Property	Market Value in existing state as at 30 November 2015	CEC Technology Group's attributable interest	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group
		RMB	*%*	*RMB*
17.	Block 1 to 5 of Phase 1 of CEC Xi'an Industrial Park ("Xi'an Industrial Park"), Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	131,000,000	73.91%	96,822,100
18.	Block 9 of Phase 2 of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	146,000,000	73.91%	107,908,600
19.	The remain vacant land of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	65,000,000	73.91%	48,041,500
	sub-total of Group II in RMB:	**3,193,421,000**		**1,339,030,500**
	Grand total:	**3,871,433,000**		**1,886,134,500**

VALUATION CERTIFICATE

Group I — Property held by CEC Technology Group for sales/investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
1.	Retail and residential units of Qingfen Ju, Hainan RSC, north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a residential and retail podium erected on one parcel of land with a site area of 21,647.28 sq.m. which was completed in 2013. According to the information provided by CEC Technology Group, the Property comprises portion of residential with a total gross floor area of 421.43 sq.m. and portion of retail units with a total gross floor area of 3,284.92 sq.m.. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2080 for residential use.	As at the valuation date, the Property was vacant.	RMB28,480,000 (40% interest attributable to CEC Technology Group: RMB11,392,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1237 dated 13 June 2010, the land use rights of the Property, comprising a total site area of 21,647.28 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology Group, for a term due to expire on 20 May 2080 for residential use.

(2) According to 24 Building Ownership Certificates, unsold portion of retail and residential units of Qingfen Ju, with a total gross floor area of 3,706.35 sq.m., have been vested to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司):

Certificate No.	use	Gross Floor Area (sq.m.)
4616	commercial	142.66
4617	commercial	247.42
4618	commercial	247.42
4619	commercial	183.58
4620	commercial	247.42
4621	commercial	195.61
4622	commercial	135.66
4676	commercial	132.24
4677	commercial	118.00
4678	commercial	143.66
4679	commercial	143.66
4680	commercial	118.01
4681	commercial	118.00
4682	commercial	143.66
4683	commercial	143.66
4684	commercial	118.01
4685	commercial	132.23
4755	commercial	162.22
4756	commercial	205.90
4757	commercial	205.90
4934	residential	159.95
4935	residential	125.59
4936	residential	43.12
4937	residential	92.77
	Total	**3,706.35**

(3) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the Building Ownership Certificate; and is the legal owner of the Building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, and has the rights to pre-sell according to the stipulated scope of pre-sell;

(iv) The land use rights and building ownership are subject to a mortgage to China Citic Bank Haikou Branch (中信銀行海口分行) for a loan period of till 29 July 2016; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
2.	Office buildings in Lot B, Hainan RSC, north of 700m of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a composite development erected on a parcel of land with a site area of 36,672.15 sq.m. which was completed in 2013. According to the information provided by CEC Technology Group, the Property comprises portion of office with a total gross floor area of 15,815.20 sq.m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 1 November 2051 for commercial and finance use.	As at the valuation date, portion of the Property, with a total gross floor area of 1,976.90 sq.m., was subject to tenancies for terms with the latest expiry date on 31 May 2019 at a total monthly rent of RMB73,000. The remaining portion of the Property was vacant.	RMB94,600,000 (40% interest attributable to CEC Technology Group: RMB37,840,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2011)1366 dated 22 December 2011, the land use rights of the Property, comprising a total site area of 36,672.15 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology Group, for a term due to expire on 1 November 2051 for commercial and finance use.

(2) According to 8 Building Ownership Certificates, office buildings in Lot B, with a total gross floor area of 15,815.20 sq.m., have been vested to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司):

Certificate No.	**Uses**	**Gross Floor Area** *(sq.m.)*
3698	office	1,976.90
3699	office	1,976.90
3700	office	1,976.90
3702	office	1,976.90
3704	office	1,976.90
3705	office	1,976.90
3710	office	1,976.90
3712	office	1,976.90
	Total	**15,815.20**

(3) According to Completion and Acceptance Tables No. 2013 (07), the construction works of Blocks B1-29 of Lot B comprising a total gross floor area of 57,137.20 sq.m. were completed.

The Property is part of the said properties.

(4) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the Building Ownership Certificate; and is the legal owner of the Building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, and has the rights to pre-sell according to the stipulated scope of pre-sell;

(iv) According to the Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), the delay in development is due to change of land use; no idle land investigation or determination is received; Nor subject to any penalties (including payment of liquidated damages);

(v) The land use rights and building ownership are subject to a mortgage to Shanghai Pudong Development Bank Haikou Branch (上海浦東發展銀行海口分行) for a loan period of till 30 November 2016; and

(vi) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Completion and Acceptance Table	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
3.	Incubation building in Lot A, Hainan RSC north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises various office units of a 6-storey building namely Incubation Building of Hainan RSC erected on a parcel of land with an attributable site area of 108,691.75 sq.m. The Property was completed in 2011. The Property comprises a total gross floor area of 16,935.56 sq.m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2050 for commercial use.	As at the valuation date, portion of the Property, with a total gross floor area of 891 sq.m., was subject to one tenancy with the expiry date on 31 August 2021 at a total monthly rent of RMB39,000, exclusive of management. A total gross floor area of 6,494.55 sq.m., was owner-occupied. The remaining portion of the Property was vacant.	RMB95,100,000 (40% interest attributable to CEC Technology Group: RMB38,040,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1236 dated 13 June 2010, the land use rights of the Property, comprising a total site area of 108,691.75 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology Group, for a term due to expire on 20 May 2050 for commercial use.

(2) According to Building Ownership Certificate No. 3121 dated 2 August 2011, a total gross floor area of 16,935.56 sq.m., have been vested to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) for commercial use.

(3) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the Building Ownership Certificate; and is the legal owner of the Building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iv) The land use rights and building ownership are subject to a mortgage to China Citic Bank Haikou Branch (中信銀行海口分行) for a loan period of till 29 July 2016; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
4.	Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	Beihai Industrial Park is an industrial development in various phases. The Property is one phase of Beihai Industrial Park erected on seven parcels of land with a total site area of 202,119.12 sq.m. The completed portion of the Property comprises 6 blocks of industrial buildings, 4 blocks of dormitory buildings and an equipment room of Beihai Industrial Park, which are designated for investment purposes, with a total gross floor area of 159,682.25 sq.m.	As at the valuation date, portion of the Property, with a total gross floor area of 116,502.99 sq.m., is subject to various tenancies with the latest expiry date on 31 May 2030 at a total monthly rent of RMB755,966, exclusive of management fee. Portion of the Property, with a total gross floor area of 27,412.41 sq.m., was occupied by various tenants without tenancy on month to month basis at concessionary rent free. As advised by CEC Technology Group, the formal tenancies will be entered into with the tenants in due course. Portion of the Property, with a total gross floor area of 11,043.55 sq.m. was vacant. The remaining portion of the Property with a total gross floor area of 33,033.93 sq.m. was under construction.	RMB409,432,000 (100% interest attributable to CEC Technology Group: RMB409,432,000

Block No.	Uses	Gross Floor Area *(sq.m.)*
		With Title Certificate
D03	Industrial	9,664.08
A01	Industrial	21,204.39
B01	Industrial	36,289.88
B02	Industrial	23,840.08
B03	Industrial	23,808.22
C01	Dormitory	7,765.55
C02	Dormitory	7,765.55
C03	Dormitory	10,550.12
C04	Dormitory	8,505.15
	Equipment room	342.79
	Sub-total	149,735.81
D02	Industrial	9,946.44
	Sub-total	9,946.44
	Total	**159,682.25**

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
	The uncompleted portion of the Property comprises a block of industrial building named A02 & A03, which is designated for investment purpose with a total proposed gross floor area of 33,033.93 sq.m.. It is scheduled to be completed in 2016. The Property is located at north of Taiwan Road and east of Jilin Road in Haicheng District of Beihai. Developments nearby are mainly industrial development. According to CEC Technology Group, the Property is used for industrial and dormitory use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 22 July 2058 for industrial use.		

Notes:

(1) According to 7 Certificates for the Use of State-owned Land all dated 27 July 2012, the land use rights of the Property, comprising a total site area of 202,119.12 sq.m., have been granted to China Electronics Beihai Industrial Park Development Co., Ltd. (中國電子北海產業園發展有限公司) ("CEC Beihai"), a wholly-owned subsidiary of CEC Technology, for a term due to expire on 22 July 2058 for industry use:

Certificate No.	Land Lot No.	Site Area *(sq.m.)*
BGY(2012)No. B37753	13-3-19	11,929.65
BGY(2012)No. B37746	13-3-16	22,214.40
BGY(2012)No. B37754	13-3-21	30,267.85
BGY(2012)No. B37757	13-3-12	31,192.72
BGY(2012)No. B37756	13-3-20	12,188.22
BGY(2012)No. B37748	13-3-15	48,004.42
BGY(2012)No. B37747	13-3-14	46,321.86
	Total	**202,119.12**

(2) According to 10 Building Ownership Certificates, the buildings of CEC Beihai Industrial Park, with a total gross floor area of 149,735.81 sq.m., have been vested to CEC Beihai:

Certificate No.	Address	Gross Floor Area *(sq.m.)*
BFQZ(2012)No. 051016	No. 1 Guihua'er Road	36,289.88
BFQZ(2013)No. 003201	No. 2 Guihua'er Road	21,204.39
BFQZ(2013)No. 003347	No. 12 Guihuasan Road	9,664.08
BFQZ(2013)No. 029725	Block No. 1, No.16 Guihuan'er Road	7,765.55
BFQZ(2013)No. 029726	Block No. 2, No.16 Guihuan'er Road	8,505.15
BFQZ(2013)No. 029727	Block No. 3, No.16 Guihuan'er Road	7,765.55
BFQZ(2013)No. 029728	Block No. 4, No.16 Guihuan'er Road	10,550.12
BFQZ(2014)No. 068721	Block No. 5, No.16 Guihua'er Road	342.79
BFQZ(2015)No. 036546	Block No. B02, No.386 Beihai Avenue	23,840.08
BFQZ(2015)No. 036552	Block No. B03, No.386 Beihai Avenue	23,808.22
	Total	**149,735.81**

(3) According to Planning Permit for Construction Works No. 450501201000087 dated 19 August 2010, the construction works of the Property complied with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 9,946.44 sq.m.

(4) According to Planning Permit for Construction Use of Land No. 450501201400219 dated 21 November 2014, the construction site of Blocks A02 & A03 of the Property with a total site area of 46,321.86 sq.m. complied with urban planning requirements.

(5) According to Planning Permit for Construction Works No. 450501201400102 dated 11 October 2014, the construction works of Blocks A02 & A03 of the Property complied with the requirement of urban planning and was permitted to be developed with a total gross floor area of 33,033.93 sq.m.

(6) According to Permit for Commencement of Construction Works No. 450501201511170101 dated 17 November 2015, the construction works of Blocks A02 & A03 of the Property was permitted to commerce with a total gross floor area of 33,033.93 sq.m.

(7) According to the information provided, the total construction cost to complete Blocks A02 & A03 of the Property, with a total gross floor area of 33,033.93 sq.m. was RMB50,788,465; a construction cost of RMB49,772,695 had been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said expended construction costs.

(8) The Estimated Market Value as if completed of the portion of the Blocks A02 & A03 of the Property, with a total gross floor area of 33,033.93 sq.m. as at 30 November 2015 was RMB77,895,000.

(9) According to Business Licence No. 450500000013590 dated 13 April 2010, CEC Beihai was established as a limited liability company on 16 April 2009 with a registered capital of RMB150,000,000 for a valid operation period from 16 April 2009 to 15 April 2029.

(10) According to the PRC legal opinion:

(i) CEC Beihai is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) CEC Beihai has obtained the Building Ownership Certificate; and is the legal owner of the Building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) The Construction work is in progress and CEC Beihai is processing the application of title proof; and

(iv) The land use rights and building ownership are not subject to any mortgage.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Work	Yes
Building Ownership Certificate	Yes (partly)
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
5.	Level 15, CEC Building, No. 6 Zhongguancun Nandajie, Haidian District, Beijing, the PRC	CEC Building (中電信息大廈) is an 18-storey plus 2 levels of basement office building completed in 2002. According to the information provided by CEC Technology Group, the whole floor of Level 15 comprises a total gross floor area of 1,365.03 sq.m. and an attributable site area of 213.69 sq.m. Level Nos. 13 and 14 are not assigned inside CEC Building, thus, Level 15, is now known as Level 17. The Property is located at Zhongguancun in Haidian District of Beijing. Developments nearby are mainly office and residential development. According to CEC Technology Group, the Property is used for office use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 1 May 2043 for office use.	Please See Note (1).	RMB50,400,000 (100% interest attributable to CEC Technology Group: RMB50,400,000

Notes:

(1) According to the information provided by CEC Technology Group, the particulars of occupancy of the Property was as follow:

Building	Particulars of occupancy
1	Portion of the Property, with a total gross floor area of 433 sq.m., was subject to a tenancy for a term due to expire on 19 May 2016 at a total monthly rent of RMB77,940, exclusive of management fee.
2	Portion of the Property, with a total gross floor area of 208.48 sq.m., was subject to a tenancy for a term due to expire on 24 November 2015 at a total monthly rent of RMB50,035, exclusive of management fee.
3	The remaining portion of the Property was occupied by CEC Technology Group.

(2) According to Certificate for the Use of State-owned Land No. (2008) 4432 dated 28 April 2008, the land use rights of Level 15, comprising an attributable site area of 213.69 sq.m., has been granted to CEC Technology for a term due to expire on 1 May 2043 for office use.

(3) According to Building Ownership Certificate No. 036455 dated 27 March 2008, the building ownership of Level 15, comprising a total gross floor area of 1,365.03 sq.m., has been vested in CEC Technology for office use.

(4) According to Business Licence No. 110000007524497 dated 30 July 2012, CEC Technology was established as a limited company with a registered capital of RMB100,000,000 for a valid operation period from 9 April 1988 to 8 April 2028.

(5) According to the PRC legal opinion:

(i) CEC Technology is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) CEC Technology Group has obtained the Building Ownership Certificate; and is the legal owner of the building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way; and

(iii) The land use rights and building ownership are not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II — Properties held by CEC Technology Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
6.	Mingyue Ju, south of Boyuan Road and Ruifeng Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property includes a residential development erected on a parcel of land with a total site area of 14,434.50 sq.m. According to the information provided by CEC Technology Group, the Property comprises portion of residential with a total gross floor area of 17,748.24 sq.m. and portion of retail units with a total gross floor area of 1,358.27 sq.m. The Property is located at Laocheng Economic Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 June 2080 for residential use.	As at the valuation date, the Property was vacant.	RMB113,200,000 (40% interest attributable to CEC Technology Group: RMB45,280,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2013)1434 dated 25 February 2013, the land use rights of the Property, comprising a total site area of 14,434.50 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology Group, for a term due to expire on 20 June 2080 for residential use.

(2) According to 4 Building Ownership Certificates, portion of residential and commercial units of Mingyue Ju, with a total gross floor area of 35,736.68 sq.m., have been vested to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司):

Certificate No.	use	Gross Floor Area *(sq.m.)*
9200	Commercial and residential	8,417.08
9201	Residential	8,289.60
9202	Commercial and residential	10,740.40
9203	Residential	8,289.60
	Total	**35,736.68**

(3) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the Building Ownership Certificate; and is the legal owner of the Building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iv) The land use rights and building ownership are subject to a mortgage to Shanghai Pudong Development Bank Haikou Branch (上海浦東發展銀行海口分行) for a loan period of till 30 November 2016; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
7.	Portion of Lot A located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with an attributable site area of 21,627.82 sq.m.. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2050 for commercial use.	As at the valuation date, the Property was a vacant land.	RMB36,400,000 (40% interest attributable to CEC Technology Group: RMB14,560,000)

Notes:

(1) According to Certificate for the Use of State-owned Land, the land use rights of the Property, comprising an attributable site area of 108,691.75 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology:

Certificate No.	Issued date	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2010)1236	13 June 2010	North of 1 Km from Nanyihuan Road, Laocheng Development Zone	108,691.75	commercial	20 May 2050
		Total	**108,691.75**		

As advised, the Property comprises part of the said site area with an attributable site area of 21,627.82 sq.m.. The discrepancy of site area is due to part of site area having been used for other development partly for Property Nos. 3. A portion of the site area has been sold to third parties and is excluded in our valuation.

(2) According to Land Use Rights Grant Contract No. 27010-200902 dated 1 June 2009 and its Supplement Contract No.201037 dated 21 October 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	North of 1 Km from Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	108,692 sq.m.
(iv)	Land Use	:	Commercial use
(v)	Plot Ratio	:	Not more than 1.2
(vi)	Land Premium	:	RMB28,259,920
(vii)	Land Use Term	:	40 years

(3) According to Planning Permit for Construction Use of Land No. 2010148 dated 18 June 2010, the construction site of a parcel of land with a total site area of 108,691.75 sq.m. complied with urban planning requirements.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the Building Ownership Certificate; and is the legal owner of the Building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction; and

(iv) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
8.	Lot C located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises 3 parcels of land with an attributable site area of 337,714.79 sq.m.. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for residential and commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for various terms. Detail of land use rights, please see Note (1).	As at the valuation date, portion of the Property was under construction, the remaining part of the property was a vacant land.	RMB721,300,000 (40% interest attributable to CEC Technology Group: RMB288,520,000)

Notes:

(1) According to 3 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising an attributable site area of 337,714.79 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology:

Certificate No.	Issued date	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2015)1572	25 March 2015	South of 700 m from Nanyihuan Road, Laocheng Development Zone	208,079.13	Commercial	14 January 2050
(2010)1214	2 April 2010	South of 600 m from Nanyihuan Road, Laocheng Development Zone	123,289.77	Commercial	30 May 2050
(2015)1607	8 October 2015	South of 700 m from Nanyihuan Road, Laocheng Development Zone	6,345.89	Commercial and Service	18 May 2055
		Total	**337,714.79**		

(2) According to Land Use Rights Grant Contract No. 27011-200920 dated 11 January 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	208,079.13 sq.m.
(iv)	Land Use	:	Residential use
(v)	Plot Ratio	:	1.6
(vi)	Land Premium	:	RMB63,680,000
(vii)	Land Use Term	:	70 years

According to the Modification Land Use Rights Grant Contract dated 19 December 2014, the said land was changed to commercial use as follows:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	208,079.13 sq.m.
(iv)	Land Use	:	Commercial use
(v)	Plot Ratio	:	1.2
(vi)	Supplemental Land Premium	:	RMB1,637,200
(vii)	Land Use Term	:	70 years

According to the Land Use Rights Grant Contract No. 27010-200903 dated 1 June 2009 and its Supplement Contract No. 201036 dated 31 October 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	South of 600 m from Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	123,289.77 sq.m.
(iv)	Land Use	:	Commercial use
(v)	Plot Ratio	:	1.2
(vi)	Land Premium	:	RMB50,348,499
(vii)	Land Use Term	:	40 years

According to the Land Use Rights Grant Contract No. 201514 dated 8 May 2015:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	South of 700 m from Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	6,346.00 sq.m.
(iv)	Land Use	:	Other commercial use
(v)	Plot Ratio	:	No more than 1.2
(vi)	Land Premium	:	RMB8,300,000
(vii)	Land Use Term	:	40 years

(3) According to Planning Permit for Construction Use of Land No. DZD2010150 dated 18 June 2010, the construction site of land with a site area of 123,289.77 sq.m. complied with the requirements of urban planning requirement.

According to Planning Permit for Construction Use of Land No. DZD004 dated 2 February 2015, the construction site of land with a site area of 208,079.13 sq.m. complied with the requirements of urban planning requirement.

According to Planning Permit for Construction Use of Land No. 4690012015053 dated 20 August 2015, the construction site of land with a site area of 6,345.99 sq.m. complied with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2015)CJGJZZ020 dated 2 February 2015, the Property has been permitted for the construction with a total gross floor area of approximately 46,140.88 sq.m. (including underground gross floor area of 1,718.00 sq.m.).

(5) According to Permit for Commencement of Construction Works No. 469023/20150424/01/01 dated 24 April 2015, the construction works of the Property complied with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 45,996.88 sq.m.

(6) According to the information provided by CEC Technology Group, a construction cost of RMB122,184,191 has been expended for the development of the Property as at valuation date. In the course of our valuation, we have taken into account the above expended construction cost.

(7) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(8) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), the delay in development is due to change of land use; no idle land investigation or determination is received; Nor subject to any penalties (including payment of liquidated damages);

(iv) The land use rights and building ownership are subject to a mortgage to China Construction Bank Haikou Housing and Urban-Rural Development Sub-Branch (建設銀行海口住房城建支行) for a loan period of till 26 August 2020; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
9.	A site located at northeast of Yingbin Road and Haipin Erheng Road, Yingbin Peninsula, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 63,501.13 sq.m. The Property is located at northeast of Yingbin Road and Haipin Erheng Road in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to CEC Technology Group, the Property is used for science and education use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 2 May 2060 for science and education use.	As at the valuation date, the Property was a vacant site with two buildings pending for demolish.	RMB46,000,000 (40% interest attributable to CEC Technology Group: RMB18,400,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1256 dated 19 November 2010, the land use rights of the Property, comprising a total site area of 63,501.13 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology, for a term due to expire on 2 May 2060 for science and education use.

(2) According to Land Use Rights Grant Contract No. 27013-201006 dated 4 May 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	Yingbin Peninsula, Laocheng Development Zone
(iii)	Site Area	:	63,501.00 sq.m.
(iv)	Land Use	:	Science and education use
(v)	Plot Ratio	:	0.5
(vi)	Land Premium	:	RMB31,000,000
(vii)	Land Use Term	:	Due to expire on 2 May 2060

(3) According to Planning Permit for Construction Use of Land No. 101 dated 25 April 2011, the construction site of a parcel of land with a total site area of 63,501.13 sq.m. complied with urban planning requirements.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) According to the Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), no idle land investigation or determination is received; Nor subject to any penalties (including payment of liquidated damages); and

(iii) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
10.	A proposed residential development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a proposed residential development erected on two parcels of land with a site area of 116,611.71 sq.m. According to the information provided by CEC Technology Group, the Property will be developed into a residential development with a total gross floor area of 349,835.13 sq.m.. The Property is located at south of the Nanyihuan Road and east of Yinglunnaner Road in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property has been granted for a term due to expire on 20 June 2080 for residential use.	As at the valuation date, an exhibition center was completed. Portion of Property was a vacant land and the remaining portion was under construction.	RMB418,600,000 (40% interest attributable to CEC Technology Group: RMB167,440,000)

Notes:

(1) According to 2 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a total site area of 116,611.71 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) a 40% associate of CEC Technology:

Certificate No.	Issued date	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2015)1579	1 April 2015	South of Nanyihuan Road, Laocheng Development Zone	51,565.73	Residential	20 June 2080
(2015)1580	1 April 2015	South of Nanyihuan Road, Laocheng Development Zone	65,045.98	Residential	20 June 2080
		Total:	116,611.71		

(2) According to Land Use Rights Grant Contract No. BHSTCZ2009023 dated 9 November 2009:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	144,120.00 sq.m.
(iv)	Land Use	:	Science and education use
(v)	Plot Ratio	:	Not more than 1.8
(vi)	Land Premium	:	RMB35,100,000
(vii)	Land Use Term	:	50 years

According to the Modification Land Use Rights Grant Contract dated 30 July 2014, part of the said land was changed to residential use as follows:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Site Area	:	Lot A: 51,565.73 sq.m., Lot B: 65,045.98 sq.m.
(iii)	Land Use	:	Residential use
(iv)	Supplemental Land Premium	:	RMB114,131,100

(3) According to Planning Permit for Construction Use of Land No. 2010317 dated 10 September 2010, the construction site of the land with a total site area of 144,121.04 sq.m. complied with urban planning requirements.

(4) We noted that the portion of the Property, an exhibition center is completed without Planning Permit for Construction Works and Permit for Commencement of Construction Works, we are on the assumption that all relevant permit will be issued in due course and the related fees incurred have been fully settled. According to the information provided, a construction cost of RMB61,551,247 has been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said expended construction costs.

(5) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(6) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), the delay in development is due to change of land use; no idle land investigation or determination is received; Nor subject to any penalties (including payment of liquidated damages);

(iv) The land use rights and building ownership are subject to a mortgage to China Construction Bank Haikou Housing and Urban-Rural Development Sub-Branch (建設銀行海口住房城建支行) for a loan period of till 10 December 2024; and

(v) In respect of the land use rights which have been mortgaged, the Group is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
11.	A proposed retail development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a proposed retail development erected on a parcel of land with a site area of 59,620.00 sq.m. According to the information provided by CEC Technology Group, the Property will be developed into a retail development with a total gross floor area 71,900.39 sq.m. The Property is located at south of the Nanyihuan Road and west of Meilun River in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to the CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property has been granted for a term due to expire on 20 June 2050 and 30 October 2053 for commercial use.	As at the valuation date, the Property was under construction.	RMB375,000,000 (40% interest attributable to CEC Technology Group: RMB150,000,000)

Notes:

(1) According to 2 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising an attributable site area of 59,620.00 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology:

Certificate No.	**Issued date**	**Location**	**Site Area** *(sq.m.)*	**Uses**	**Expiry Date**
(2014)1550	10 October 2014	South of Nanyihuan Road, Laocheng Development Zone	27,508.12	commercial	20 June 2050
(2014)1535	24 June 2014	North of Nanerhuan Road, west of Meilun River, Laocheng Development Zone	32,111.88	commercial	30 October 2053
		Total	**59,620.00**		

As advised, the Property with a total site area of 59,620.00 sq.m. is part of the site area in Note (2) below. The discrepancy of site area is due to part of site area having been used for other development.

(2) According to Land Use Rights Grant Contract No. BHSTCZ2009023 dated 9 November 2009, the details as followed:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	144,120.00 sq.m.
(iv)	Land Use	:	Science and education use
(v)	Plot Ratio	:	Not more than 1.8
(vi)	Land Premium	:	RMB35,100,000
(vii)	Land Use Term	:	50 years

According to the Modification Land Use Rights Grant Contract dated 30 July 2014, part of the said land was changed to commercial use as follows:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Site Area	:	27,508.12 sq.m.
(iii)	Land Use	:	Commercial use
(iv)	Supplemental Land Premium	:	RMB12,362,500

According to Land Use Rights Transfer Contract No. RSCKF2013014 dated 25 December 2013, the details as followed:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司)
(ii)	Location	:	North of Nanerhuan Road, West of Meilun river, Laocheng Development Zone
(iii)	Site Area	:	32,111.88 sq.m.
(iv)	Land Use	:	Commercial use
(v)	Land Premium	:	RMB35,330,000

(3) According to Planning Permit for Construction Use of Land No. 088 dated 7 September 2014, the construction site of a parcel of land with a total site area of 27,508.12 sq.m. complied with urban planning requirements.

According to Planning Permit for Construction Use of Land No. 055 dated 14 May 2014, the construction site of a parcel of land with a total site area of 32,112.18 sq.m. complied with urban planning requirements.

(4) According to Planning Permit for Construction Works No. CJGJZ2014 (152) issued by Housing and Urban Rural Development Bureau of Chengmai Country (澄邁縣住房和城鄉建設局) on 10 September 2014, the construction works of the Property comprising a total gross floor area of 71,900.39 sq.m. complied with the construction works requirements and have been approved.

(5) According to Commencement Permits for Construction Works No. 469023/20141128/01/01 issued by Housing and Urban Rural Development Bureau of Chengmai Country (澄邁縣住房和城鄉建設局) on 28 September 2014, the construction works of the Property with a total gross floor area of 71,900.39 sq.m. complies with the requirements for works commencement and have been permitted.

(6) We noted that the Property with a total gross floor area of 71,900.39 sq.m., we are on the assumption that all relevant permit will be issued in due course and the related fees incurred have been fully settled. According to the information provided, a construction cost of RMB280,343,822 has been expended for the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said construction costs.

(7) According to Business Licence No.4690/2700/0009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(8) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Land Use Rights Transfer Contract	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
12.	A proposed residential and industrial development in Plot G, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a proposed industrial and residential development erected on a parcel of land with a site area of 327,744.86 sq.m.. According to the information provided by CEC Technology Group, the Property will be developed into a residential development with a total gross floor area above ground of 310,572.90 sq.m. The Property is located at south of Nanerhuan Road in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to CEC Technology Group, the Property is used for residential and industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property has been granted for a term of 50 years for industrial use and 70 years for residential use (see Note 1).	As at the valuation date, the Property was a vacant land pending for development.	RMB527,500,000 (40% interest attributable to CEC Technology Group: RMB211,000,000)

Notes:

(1) According to 4 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a total site area of 327,744.86 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology:

Certificate No.	Issued date	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2014)1516	11 May 2014	South of Nanerhuan Road	50,953.65	Industrial	1 February 2064
(2014)1517	11 May 2014	South of Nanerhuan Road	81,852.94	Industrial	1 February 2064
(2014)1519	25 May 2014	South of 1 Km from Nanerhuan Road	53,438.13	Industrial	1 February 2064
(2014)1543	19 July 2014	South of Nanerhuan Road	141,500.14	Industrial	29 November 2063
		Total	**327,744.86**		

According to 3 Certificates for the Use of State-owned Land, part of the said land, comprising an total site area of 103,524.28 sq.m., was changed to residential use as follows:

Certificate No.	Issued date	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2015)1574	25 March 2015	South of Nanerhuan Road	25,377.93	residential	1 February 2084
(2015)1573	25 March 2015	South of Nanerhuan Road	27,394.42	residential	1 February 2084
(2015)1575	3 April 2015	South of Nanerhuan Road	50,751.93	residential	29 November 2083
		Total	**103,524.28**		

(2) According to 3 Land Use Rights Grant Contract and a Transfer Contract, comprising total site area of 327,745.14 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), the details as followed:

Contract No.	Issued date	Location	Site Area *(sq.m.)*	Land Uses	Plot Ratio	Land Use Term
4690232014B00059	21 January 2014	South of Erhuan Road	53,438.00	Industrial	1.0–1.8	50 years
4690232014B00060	21 January 2014	South of Nanerhuan Road	50,954.00	Industrial	1.0–1.8	50 years
4690232014B00076	21 January 2014	South of Nanerhuan Road	81,853.00	Industrial	1.0–1.8	50 years
Transfer Contract	10 November 2013	South of Nanyihuan Road	141,500.14	Industrial		50 years
		Total	**327,745.14**			

According to 3 Modification Land Use Rights Grant Contract dated 19 December 2014, part of said land was changed to residential use as follows:

Issued date	Supplemental Land Premium	Site Area (sq.m.)	Land Uses	Plot Ratio
19 December 2014	RMB57,997,300	50,751.96	residential	3.0
19 December 2014	RMB30,778,900	27,394.42	residential	3.0
19 December 2014	RMB28,500,500	25,377.92	residential	3.0
	Total	**103,524.30**		

(3) According to 7 Planning Permit for Construction Use of Land, the construction site of a parcel of land with a total site area of 327,747.17 sq.m. complied with urban planning requirements, the details as followed:

Certificate No.	Issued Date	Uses	Construction Scale (sq.m.)
DZD4690012015018	10 April 2015	Industrial	23,559.72
DZD020	28 March 2014	Industrial	53,438.94
DZD4690012015016	10 April 2015	Industrial	56,475.86
DZD4690012015019	10 April 2015	Industrial	90,748.37
DZD006	2 February 2015	residential	25,377.93
DZD003	2 February 2015	residential	27,394.42
DZD005	2 February 2015	residential	50,751.93
		Total	**327,747.17**

(4) According to Planning Permit for Construction Works No. (2015)CJGJZZ129 dated 22 July 2015, the Property has been permitted for the construction with a total gross floor area of 104,119.15 sq.m.

As advised, the Planning Permit for Construction Works for the whole development of 310,572.90 sq.m. will be applied by stages.

(5) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(6) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), the delay in development is due to change of land use; no idle land investigation or determination is received; Nor subject to any penalties (including payment of liquidated damages); and

(iv) The land use rights is not subject to any mortgage.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Modification Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
13.	Portion of Lot B located at north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 25,965.47 sq.m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 14 January 2080 for residential use.	As at the valuation date, the Property was occupied by the Administrative Committee of Laocheng Development Zone.	RMB52,000,000 (40% interest attributable to CEC Technology Group: RMB20,800,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010) 1228 dated 2 June 2011, the land use rights of the Property, comprising a total site area of 39,153.91 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology, for a term due to expire on 14 January 2080 for residential use.

The Property with a site area of 25,965.47 sq.m. is part of the said site area. The discrepancy of site area is due to part of site area having been used for other development for the government and is excluded from our valuation.

(2) According to Land Use Rights Grant Contract No. 210101 dated 11 January 2011:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	39,153.91 sq.m.
(iv)	Land Use	:	Residential
(v)	Plot Ratio	:	Not more than 1.6
(vi)	Land Premium	:	RMB12,750,000
(vii)	Land Use Term	:	70 years

According to its Alteration of Contracts dated 5 December 2011, portion of the land has changed its land use to commercial use.

The Property is part of the said site area.

(3) According to 2 Government Letters Nos. Chengfuhan (2010) 159 and 160, Chengmai Country Government will recover the land use right of State-owned land with a total site area 59.731 acre and will offer a piece of land with the same value around Phase I of Hainan RSC.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), the delay in development is due to change of land use; no idle land investigation or determination is received; Nor subject to any penalties (including payment of liquidated damages); and

(iv) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Government Letter	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
14.	Portion of Lot B located at south of Boyuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises two parcels of land with a total site area of 15,560.39 sq.m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute. The land use rights of the Property have been granted for a term of 50 years due to expire on 20 June 2060 for science and education use and 70 years due to expire on 20 June 2080 for residential use.	The Property was occupied by the local government to develop economical housings and indemnificatory apartments.	RMB47,800,000 (40% interest attributable to CEC Technology Group: RMB19,120,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2013) 1434 dated 25 February 2015, the land use rights of the Property, comprising a total site area of approximately 14,434.50 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司), a 40% associate of CEC Technology, for a term due to expire on 20 June 2080 for residential use.

According to Certificate for the Use of State-owned Land No. (2013) 1484 dated 18 November 2013, the land use rights of the Property, comprising a total site area of approximately 7,781.35 sq.m., have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 20 June 2080 for residential use.

The Property with a total site area of 15,560.39 sq.m. is part of the said site area. The discrepancy of site area is due to part of site area having been used for other development for the government and is excluded from our valuation.

(2) According to Land Use Rights Grant Contract No. 201022 dated 21 June 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	66,667.04 sq.m.
(iv)	Land Use	:	Science and education
(v)	Plot Ratio	:	Not more than 1.8
(vi)	Land Premium	:	RMB15,500,001
(vii)	Land Use Term	:	50 years

The Property is part of the said site area.

According to 2 Modification Land Use Rights Grant Contract dated 19 December 2014, part of said land was changed to residential use as follows:

Issued Date	**Supplemental Land Premium**	**Site Area** *(sq.m.)*	**Land Uses**
29 December 2012	RMB11,792,987	14,434.50	Residential
19 September 2013	RMB 8,621,739	7,781.35	Residential
	Total	**22,215.85**	

(3) According to Planning Permit for Construction Use of Land No. 4690012013196 dated 9 August 2013, the construction site of a parcel of land with a total site area of 7,781.35 sq.m. complied with urban planning requirements.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司) has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd. (海南生態軟件園投資發展有限公司), the delay in development is due to change of land use; no idle land investigation or determination is received; Nor subject to any penalties (including payment of liquidated damages); and

(iv) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
15.	Three sites of Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	The Property comprises three parcels of land with a total site area of 7,968.99 sq.m. According to the information provided by CEC Technology Group, the Property will be developed into an industrial development. The Property is located at north of Taiwan Road and east of Jilin Road in Haicheng District of Beihai. Developments nearby are mainly industrial development. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 22 July 2058 for industrial use.	As at the valuation date, the Property was used as green land and road pending for development.	RMB3,800,000 (100% interest attributable to CEC Technology Group: RMB3,800,000

Notes:

(1) According to 3 Certificates for the Use of State-owned Land No. (2012)B37759, (2012)B37751 and (2012) B37745 dated 27 July 2012, the land use rights of the Property, comprising a total site area of 7,968.99 sq.m., have been granted to CEC Beihai, a wholly-owned subsidiary of CEC Technology, for a term due to expire on 22 July 2058 for industrial use.

(2) According to Land Use Rights Grant Contract No. BGTH (2008)24 dated 21 May 2008:

(i)	Grantee	:	CEC Beihai
(ii)	Location	:	North of Taiwan Road and east of Jilin Road
(iii)	Site Area	:	457,355.20 sq.m.
(iv)	Land Use	:	Industrial
(v)	Plot Ratio	:	Not less than 1.0 and not more than 2.0
(vi)	Land Premium	:	RMB94,000,000
(vii)	Land Use Term	:	50 years

The Property is part of the said site.

(3) According to Business Licence No. 450500000013590 dated 13 April 2010, CEC Beihai was established as a limited liability company on 16 April 2009 with a registered capital of RMB150,000,000 for a valid operation period from 16 April 2009 to 15 April 2029.

(4) According to the PRC legal opinion:

(i) CEC Beihai is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) CEC Beihai is the legal owner of the Building and can occupy, use, lease, transfer; and

(iii) The land use rights is not subject to any mortgage.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
16.	A proposed residential development located at the northeast of the junction of Nanzhu Avenue and Taiwan Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	The Property is a proposed residential development erected on a parcel of land with a site area of 300,333.80 sq.m. According to the information provided by CEC Technology Group, the Property will be developed into a residential development with a total gross floor area above ground of 750,834.50 sq.m.. The Property is located at northeast of the junction of Nanzhu Avenue and Taiwan Road in Haicheng District of Beihai. Developments nearby are mainly industrial and residential development. According to CEC Technology Group, the Property is planned mainly for residential use with ancillary science and education use; there is no environmental issues and litigation dispute; there is no plan for renovation to dispose or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 9 December 2059 for residential, science and education use.	As at the valuation date, portion of the Property was a vacant site with an elementary school and some residential buildings pending for demolish. Portion of the Property, with a total gross floor area of 44,762.80 sq.m., was under development.	RMB509,821,000 (28.9% interest attributable to CEC Technology Group: RMB147,338,300 (Portion of the Property, a building with a total gross floor area of 44,762.80 sq.m., which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works, We have ascribed no commercial value to this portion of the Property. See Note 1 below.)

Notes:

(1) In the course of our valuation, we have ascribed no commercial value to this portion of the Property, a building with a total gross floor area of 44,762.80 sq.m., which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works. Had the CEC Technology Group obtained a valid Planning Permit for Construction Works and Permit for Commencement of Construction Works, the market value of this portion of the Property in its existing state as at 30 November 2015 would be RMB17,000,000 (28.9% interest attributable to CEC Technology Group: RMB4,913,000).

(2) According to Certificate for the Use of State-owned Land No. (2012) B38931 dated 17 September 2012, the land use rights of the Property, comprising a site area of 300,333.80 sq.m., have been granted to Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司), a 28.9% owned joint venture of CEC Technology, for a term due to expire on 9 December 2059 for residential, science and education use.

(3) According to Land Use Rights Grant Contract No. 2009023 dated 9 November 2009:

(i)	Grantee	:	CEC Beihai (中電北海)
(ii)	Location	:	East of Nanzhu Avenue and north of Taiwan Road
(iii)	Site Area	:	300,333.80 sq.m. (295,333.80 sq.m. for residential use and 5,000 sq.m. for science and education use)
(iv)	Land Use	:	Residential, science and education
(v)	Plot Ratio	:	Not more than 2.5
(vi)	Land Premium	:	RMB131,210,420
(vii)	Land Use Term	:	50 years

(4) According to Planning Permit for Construction Use of Land No. 450501201200115 dated 19 July 2012, the construction site of the Property with a site area of 300,333.80 sq.m. complied with urban planning requirements.

(5) We noted that the portion of the Property, a building, with a total gross floor area of 44,762.80 sq.m. which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works, we are on the assumption that all relevant permits will be issued in due course and the related fees incurred have been fully paid and settled. According to the information, a construction cost of RMB17,000,000 has been expended for the said portion of the Property as at 30 November 2015.

(6) According to Business Licence No. 450500000014700(1-1) dated 17 December 2012, Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司) was established as a limited liability company on 28 December 2011 with a registered capital of RMB200,000,000 for a valid operation period from 28 December 2011 to 28 December 2031.

(7) According to the PRC legal opinion:

(i) Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government; and

(ii) The land use rights and construction are not subject to any mortgage.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
17.	Block 1 to 5 of Phase 1 of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property is a composite development erected on a parcel of land with a total site area of 14,720.00 sq.m. which is scheduled to be completed in June 2016. According to the information provided by CEC Technology Group, the Property comprises five office buildings and underground car park with a total gross floor area of 43,458.24 sq.m. The Property is located at Cao Tan Ecological Zone of Xi'an Economic & Technological Development Zone. Developments nearby are mainly industrial, office and residential development. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 21 October 2062 for industrial use.	As at the valuation date, the Property was under construction and scheduled to be completed in June 2016.	RMB131,000,000 (73.91% interest attributable to CEC Technology Group: RMB96,822,100

Notes:

(1) According to Certificate for the Use of State-owned Land Xi Jing Guo Yong (2012chu) No.056 dated 20 December 2012, the land use rights of the Property, comprising a total site area of 80,749.84 sq.m., have been granted to China Electronic Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司) ("CEC Xi'an"), a 73.91% subsidiary of CEC Technology, for a term due to expire on 21 October 2062 for industrial use.

Please note Property Nos. 17, 18 and 19 are developed on 2 parcels of land with a total site area of 134,537.96 sq.m.. As advised, the Property with a total site area of 14,720.00 sq.m. is part of the said site area. The discrepancy of site area is due to part of the site area having been used for other development for Property Nos. 18 and 19.

(2) According to 2 Land Use Rights Grant Contract, comprising total site area of 134,537.96 sq.m., the land use rights have been granted to CEC Xi'an, the details as followed:

Contract No.	Issued date	Location	Site Area *(sq.m.)*	Land Uses
XJKRZ (2012) No. 033	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	80,749.84	Industrial
XJKRZ (2012) No. 034	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	53,788.12	Industrial
		Total	134,537.96	

(3) According to Planning Permit for Construction Use of Land Xi Jing Kai (2011) No.07 dated 17 June 2011, the construction site of the Property with a site area of 158.297 mu. (equivalent to 105,584.00 sq.m.) complied with urban planning requirements. The Property is part of the said site area.

(4) According to Planning Permit for Construction Works Xi Jing Kai (2013) No. 032 dated 20 June 2013, the construction works of the Property complied with urban planning requirements and was permitted to be developed with a total gross floor area of 43,165.00 sq.m..

(5) According to Permit for Commencement of Construction Works Xi Jing Kai (2013) No. 041 dated 19 December 2013, the construction works of the Property complied with the requirement of work commencement and was permitted to be developed with a total gross floor area of 43,165.00 sq.m.

(6) As advised by CEC Technology Group, as at the valuation date, office portion with a total gross floor area of 6,723.46 sq.m. was pre-sold at a total consideration of RMB28,910,878. In the course of our valuation, we have taken into account the said consideration.

(7) According to the information provided by CEC Technology Group, the estimated total construction cost to complete the Property is approximately RMB138,000,000; a construction cost of RMB122,000,000 has been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said construction costs.

(8) The Estimated Market Value as if completed of the Property as at 30 November 2015 was RMB170,000,000.

(9) According to Business Licence No. 610132100019431 dated 16 September 2014, CEC Xi'an was established as a limited liability company on 12 November 2010 with a registered capital of RMB103,500,000 for a long term valid operation period.

(10) According to the PRC legal opinion:

(i) CEC Xi'an has fully settled the land grant fee and obtained the Certificate for the Use of State-owned Land; and is the legal owner of the land and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) CEC Xi'an has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
18.	Block 9 of Phase 2 of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property is an industrial development erected on a parcel of land with a total site area of 9,156.00 sq.m. which is targeted to be completed in December 2015. According to the information provided by CEC Technology Group, the Property comprises a Training Centre with a total gross floor area of 7,823.00 sq.m. The Property is located at Cao Tan Ecological Zone of Xi'an Economic & Technological Development Zone. Developments nearby are mainly industrial, office and residential development. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 30 October 2062 for industrial use.	As at the valuation date, the Property was under construction and scheduled to be completed in December 2015. The Property is subject a ten-year tenancy, to commence in hand over date, with an annual rental income of RMB11,000,000.	RMB146,000,000 (73.91% interest attributable to CEC Technology Group: RMB107,908,600

Notes:

(1) According to Certificate for the Use of State-owned Land Xi Jing Guo Yong (2013 chu) No.038 dated 19 July 2013, the land use rights of the Property, comprising a total site area of 53,788.12 sq.m., have been granted to CEC Xi'an, a 73.91% subsidiary of CEC Technology, for a term due to expire on 30 October 2062 for industrial use.

Please note Property Nos. 17, 18 and 19 are developed on 2 parcels of land with a total site area of 134,537.96 sq.m.. As advised, the Property with a total site area of 9,156.00 sq.m. is part of the said site area. The discrepancy of site area is due to part of the site area having been used for other development for Property Nos. 17 and 19.

(2) According to Planning Permit for Construction Use of Land Xi Jing Kai (2011) No.07 dated 17 June 2011, the construction site of the Property with a site area of 158.297 mu (equivalent to 105,584.00 sq.m.) complied with urban planning requirements.

(3) According to Planning Permit for Construction Works Xi Jing Kai (2014) No. 055 dated 4 December 2014, the construction works of the Property complied with urban planning requirements and was permitted to be developed with a total gross floor area of 7,823.00 sq.m.

(4) According to Permit for Commencement of Construction Works No. 610131201505060000 dated 6 May 2015, the construction works of the Property complied with the requirement of work commencement and was permitted to be developed with a total gross floor area of 7,823.00 sq.m.

(5) According to the information provided by CEC Technology Group, the estimated total construction cost to complete the Property is approximately RMB68,000,000; a construction cost of RMB67,000,000 has been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the above expended construction costs.

(6) The Estimated Market Value as if completed of the Property as at 30 November 2015 was RMB158,000,000.

(7) According to Business Licence No. 610132100019431 dated 16 September 2014, CEC Xi'an was established as a limited liability company on 12 November 2010 with a registered capital of RMB103,500,000 for a long term valid operation period.

(8) According to the PRC legal opinion:

(i) CEC Xi'an has fully settled the land grant fee and obtained the Certificate for the Use of State-owned Land; and is the legal owner of the land and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) CEC Xi'an has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
19.	The remain vacant land of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property comprises 2 parcels of land with a total site area of 110,661.96 sq.m. The Property is located at Cao Tan Ecological Zone of Xi'an Economic & Technological Development Zone. Developments nearby are mainly industrial, office and residential developments. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for various terms. Detail of land use rights, please see Note (1).	As at the valuation date, the Property was developed initially with few construction cost.	RMB65,000,000 (73.91% interest attributable to CEC Technology Group: RMB48,041,500

Notes:

(1) According to 2 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a total site area of 134,537.96 sq.m., have been granted to CEC Xi'an (中電西安), a 73.91% subsidiary of CEC Technology:

Certificate No.	Site Area *(sq.m.)*	Land Use	Expiry Date	Issued Date
Xi Jing Guo Yong (2012chu) No.056	80,749.84	Industrial	21 October 2062	20 December 2012
Xi Jing Guo Yong (2013 chu) No.038	53,788.12	Industrial	30 October 2062	19 July 2013
Total	**134,537.96**			

Please note Property Nos. 17, 18 and 19 are developed on 2 parcels of land with a total site area of 134,537.96 sq.m.. As advised, the Property with a total site area of 110,661.96 sq.m. is part of the said site area. The discrepancy of site area is due to part of the site area having been used for other development for Property Nos. 17 and 18.

(2) According to 2 Land Use Rights Grant Contract, comprising total site area of 134,537.96 sq.m., the land use rights have been granted to China Electronic Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司), the details as followed:

Contract No.	**Issued date**	**Location**	**Site Area** *(sq.m.)*	**Land Uses**
XJKRZ (2012) No. 033	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	80,749.84	Industrial
XJKRZ (2012) No. 034	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	53,788.12	Industrial
		Total	134,537.96	

The Property is part of the said site area.

(3) According to Business Licence No. 610132100019431 dated 16 September 2014, CEC Xi'an (中電西安) was established as a limited liability company on 12 November 2010 with a registered capital of RMB103,500,000 for a long term valid operation period.

(4) According to the PRC legal opinion:

(i) CEC Xi'an has fully settled the land grant fee and obtained the Certificate for the Use of State-owned Land; and is the legal owner of the land and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) CEC Xi'an has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

All Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after allotment and issuance of the Consideration Shares, CECH Subscription Shares and Placing Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares, CECH Subscription Shares and Placing Shares since the Latest Practicable Date up to the date of Completion):

(a) as at the Latest Practicable Date:

Authorised		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid		
4,000,000,000	Shares	400,000,000

(b) immediately after Completion:

Authorised		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid		
4,000,000,000	Shares in issue as at the Latest Practicable Date	400,000,000
1,058,530,083	Consideration Shares to be allotted and issued upon Completion	105,853,008
1,491,469,917	CECH Subscription Shares to be allotted and issued upon Completion	149,146,992
1,450,000,000	Placing Shares to be allotted and issued upon Completion	145,000,000
8,000,000,000	Shares	800,000,000

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

When issued and fully paid, the Consideration Shares, CECH Subscription Shares and the Placing Shares will rank *pari passu* in all respects with the Shares then in issue. Holders of the Consideration Shares, CECH Subscription Shares and the Placing Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of their respective allotment.

The Company had not issued any Shares since 31 December 2014, being the end of the last financial year of the Company, up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not have any outstanding warrants, options or securities convertible into Shares.

3. MARKET PRICES

The table below shows the closing price per Share as quoted by the Stock Exchange (i) the Latest Practicable Date; (ii) 14 December 2015, the Last Trading Day; and (iii) the last trading day of each of the calendar months during the period between 16 April 2015 (being the date falling six months prior to 16 October 2015) and ending on the Latest Practicable Date (both dates inclusive):

Date	**Closing price per Share** *HK$*
30 April 2015	0.72
29 May 2015	1.00
30 June 2015	0.94
31 July 2015	0.82
31 August 2015	0.70
30 September 2015	0.63
14 October 2015	0.81*
30 October 2015	0.87
30 November 2015	0.92
14 December 2015 (Last Trading Day)	0.95
31 December 2015	0.99
29 January 2016	0.84
Latest Practicable Date	0.84

The highest and lowest closing prices per Share recorded on the Stock Exchange during the period between 16 April 2015 (being the date falling six months prior to 16 October 2015) and ending on the Latest Practicable Date (both dates inclusive) were HK$1.28 on 20 May 2015 and HK$0.46 on 8 July 2015 respectively.

* *Note:* This was the closing price per Share as quoted on the Stock Exchange on the last business day prior to the commencement of the offer period (which commenced on 16 October 2015 and was closed on 23 October 2015), which represents a discount of approximately 3.6% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

4. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or, the chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in the Shares

		Number of Shares held as at the Latest Practicable Date			
Name of Director	**Capacity/nature of interest**	**Direct interest**	**Deemed interest**	**Total interest**	**Approximate percentage of the issued share capital of the Company**
Mr. Huang Liping	Interest in controlled corporation	0	2,079,460,089 *(Note 1)*	2,079,460,089	51.99%
Mr. Hu Bin	Beneficial owner and beneficiary of a trust	28,128,000	42,192,000 *(Note 2)*	70,320,000	1.76%
Ms. Chen Huifen	Beneficial owner and beneficiary of a trust	4,380,000	6,570,000 *(Note 2)*	10,950,000	0.27%

Notes:

(1) Mr. Huang Liping holds 100% equity interests in each of HK 3A and Lidao Investment Limited. Under the SFO, Mr. Huang Liping is deemed to be interested in the 1,787,700,000 Shares held by HK 3A and 120,000,000 Shares held by Lidao Investment Limited. Mr. Huang Liping is also the sole shareholder of Hengxin Global (PTC) Limited. Under the SFO, Mr. Huang Liping is also deemed to be interested in the 171,760,089 Shares held by Hengxin Global (PTC) Limited.

(2) Mr. Hu Bin and Ms. Chen Huifen are beneficial owners of 28,128,000 and 4,380,000 Shares respectively and beneficiaries of 42,192,000 and 6,570,000 Shares, respectively, of a trust established pursuant to a trust deed dated 13 September 2013 with Hengxin Global (PTC) Limited as trustee.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following person (other than Directors and chief executives of the Company) had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name of shareholder of the Company	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
AAA Finance and Investment Holdings Limited	Beneficial owner	1,787,700,000	44.69%
Technology Investment HK	Beneficial owner	479,910,000	12.00%
Hubei Science & Technology Investment Group Co., Ltd.	Interest in controlled corporation	479,910,000	12.00%
Qianbao Investment Limited	Beneficial owner	292,020,000	7.30%
Mr. Tse Shing Ming	Interest in controlled corporation	292,020,000	7.30%
Sunshine Life Insurance Co., Ltd	Beneficial owner	260,480,000	6.51%
Sunshine Insurance Group Corporation Limited	Interest in controlled corporation	260,480,000	6.51%

Notes:

(1) AAA Finance and Investment Holdings Limited is wholly-owned by Mr. Huang Liping, the Chairman and President of the Company. Mr. Huang Liping's interests therein are set out in the section headed "4. Directors' and Chief Executive's Interests in Securities" in this appendix.

(2) Hubei Science & Technology Investment Group Co., Ltd. holds 100% equity interest in Technology Investment HK. Under the SFO, Hubei Science & Technology Investment Group Co., Ltd. is deemed to be interested in all the Shares held by Technology Investment HK. Mr. Lu Jun is the chairman of Hubei Science & Technology Investment Group Co., Ltd. Ms. Shu Chunping is an officer of Hubei Science & Technology Investment Group Co., Ltd.

(3) Mr. Tse Shing Ming holds 100% equity interest in Qianbao Investment Limited. Under the SFO, Mr. Tse is deemed to be interested in all the Shares held by Qianbao Investment Limited.

(4) Sunshine Life Insurance Co., Ltd. ("Sunshine Life") holds 260,480,000 Shares. Sunshine Life is a subsidiary of Sunshine Insurance Group Corporation Limited ("Sunshine Group") and therefore Sunshine Group is deemed to be interested in the 260,480,000 Shares held by Sunshine Life under the SFO.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, there was no other person, other than the Directors or the chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

6. DISCLOSURE OF OTHER INTERESTS

(i) Interests in competing business

As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in any business constituting a competing business to the Group.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 30 June 2015 (being the date to which the latest published audited accounts of the Company were made up).

(iii) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested and which was significant in relation to the business of the Group.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

(a) there was no agreement, arrangement or understanding existed between any Director and any other person which is conditional on or dependent upon the outcome of the Equity Transfer, the CECH Subscription, the Placing, the Share Charge and the Whitewash Waiver or otherwise connected therewith;

(b) there was no material contract entered into by CECH or any person acting in concert with any of them in which any Director has a material interest; and

(c) there was no agreement, arrangement or understanding (including any compensation arrangement) which exists between CECH or any person acting in concert with it any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Equity Transfer, the CECH Subscription, the Placing, the Share Charge and the Whitewash Waiver.

There are no benefits to be given to any Director as compensation for loss of office or otherwise in connection with the Equity Transfer, the CECH Subscription, the Placing, the Share Charge or the Whitewash Waiver.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within six months prior to 16 October 2015, being the date of the initial announcement in respect of the offer.

9. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

The members of the Group and CEC Technology (which shall become a member of the Group after the Completion) had, after the date of two years immediately preceding 16 October 2015 and up to the Latest Practicable Date, entered into the following contracts which were or might be material, other than contracts entered in the ordinary course of business of the Group:

(a) the Equity Interest Transfer Agreement;

(b) the CECH Subscription Agreement;

(c) the Placing Agreement;

(d) the sale and purchase agreement (and the relevant side letter) dated 17 November 2015 entered into between Wuhan OVU (being an indirect wholly-owned subsidiary of the Company) as the vendor and Hubei S&T as the purchaser in relation to the sale of the Energy Conservation Technology Park Sale Equity and the assignment of the Energy Conservation Technology Park Sale Debt from Wuhan OVU to Hubei S&T for an aggregate consideration of RMB267,310,067.31 (equivalent to approximately HK$323,445,181.45) in cash, details of which were disclosed in a circular of the Company dated 31 December 2015;

(e) the sale and purchase agreement (and the relevant side letter) dated 17 November 2015 entered into between Wuhan OVU (being an indirect wholly-owned subsidiary of the Company) as the vendor and Hubei S&T as the purchaser in relation to the sale of the Financial Harbour Sale Equity and the assignment of the Financial Harbour Sale Debt from Wuhan OVU to Hubei S&T for an aggregate consideration of RMB270,122,238.68 (equivalent to approximately HK$326,847,908.80) in cash, details of which were disclosed in a circular of the Company dated 31 December 2015;

(f) the increase in capital and reorganisation agreement (增資重組協議) dated 27 May 2015 entered into by Wuhan OVU (being an indirect wholly-owned subsidiary of the Company), Luo Weijie* (羅煒杰), Hou Kun* (侯琨), Zeng Xin* (曾鑫) and Wuhan Eleven Pingmi Investment Company Limited* (武漢十一平米投資有限責任公司) (being an indirect subsidiary of the Company) in relation to, *inter alia*, the investment of Wuhan OVU in Wuhan Eleven Pingmi Investment Company Limited* (武漢十一平米投資有限責任公司) as to RMB100,000 (equivalent to approximately HK$121,000) and in Wuhan Eleven Pingmi Technology Company Limited* (武漢十一平米科技有限責任公司) as to RMB2,900,000 (equivalent to approximately HK$3,509,000);

(g) the investment agreement dated 22 May 2015 entered into between Wuhan OVU (being an indirect wholly-owned subsidiary of the Company), Hubei S&T, Huanggang State-owned Asset Management Company* (黃岡市國有資產經營公司) and Wuhan High Technology State-Owned Holding Group Company Limited* (武漢高科國有控股集團有限公司) in relation to the establishment of the Huanggang Optics Valley Union

Development Company Limited* (黃岡光谷聯合發展有限公司), the registered capital of which Wuhan OVU shall contribute as to RMB140 million (equivalent to approximately HK$169.4 million), details of which were disclosed in an announcement of the Company dated 22 May 2015;

(h) the promoters agreement in relation to Wuhan Qingyuan Chuangye Investment Management Company Limited* (武漢清源創業投資管理有限公司) dated 21 May 2015 entered into between United Real Estate (Wuhan) Company Limited* (聯合置業(武漢)有限公司) (being an indirect wholly-owned subsidiary of the Company) and Wuhan Qingyuan Weilai Investment Management Company Limited* (武漢清源未來投資管理有限公司) in relation to the establishment of Wuhan Qingyuan Chuangye Investment Management Company Limited* (武漢清源創業投資管理有限公司), the registered capital of which United Real Estate (Wuhan) Company Limited* (聯合置業(武漢)有限公司) shall contribute as to RMB400,000 (equivalent to approximately HK$484,000);

(i) the investment and cooperation agreement dated 20 May 2015 entered into between Wuhan Optics Valley Energy Conservation Technology Company Limited* (武漢光谷節能技術有限公司) (being an indirect subsidiary of the Company) and Beijing Zhongqing Tongyue Service Consultancy Company Limited* (北京中清同躍服務諮詢有限公司) in relation to the establishment of Beijing Optics Valley Energy Conservation Regional Energy Investment Management Company Limited* (北京光谷節能區域能源投資管理有限公司), the registered capital of which Wuhan Optics Valley Energy Conservation Technology Company Limited* (武漢光谷節能技術有限公司) shall contribute as to RMB10,200,000 (equivalent to approximately HK$12,342,000);

(j) the investment and cooperation agreement dated 20 May 2015 entered into between Wuhan Optics Valley Energy Conservation Technology Company Limited* (武漢光谷節能技術有限公司) (being an indirect subsidiary of the Company) and Beijing Zhongqing Tongyue Service Consultancy Company Limited* (北京中清同躍服務諮詢有限公司) in relation to the establishment of Anhui Optics Valley Energy Conservation Regional Energy Investment Management Company Limited* (安徽光谷節能區域能源投資管理有限公司), the registered capital of which Anhui Optics Valley Energy Conservation Regional Energy Investment Management Company Limited* (安徽光谷節能區域能源投資管理有限公司) shall contribute as to RMB10,200,000 (equivalent to approximately HK$12,342,000);

(k) the partnership agreement dated 17 May 2015 entered into between Wuhan Qingyuan Chuangye Investment Management Company Limited* (武漢清源創業投資管理有限公司) and Wuhan OVU (being an indirect wholly-owned subsidiary of the Company) in relation to the establishment of Wuhan Optics Valley Union Industry Investment Fund Partnership Enterprise (Limited Partnership)* (武漢光谷聯合產業投資基金合夥企業(有限合夥)), in which Wuhan OVU shall invest as to RMB99 million (equivalent to approximately HK$119.79 million);

(l) the increase in capital agreement dated 6 May 2015 entered into by Xu Lianlong* (徐念龍), Yang Ying* (楊瑩), Wuhan OVU (being an indirect wholly-owned subsidiary of the Company), Lin Yunxiang* (林妘翔) in relation to the increase in capital of Wuhan Qingmu Innovation Technology Company Limited* (武漢擎木創意科技有限公司), the registered capital of which Wuhan OVU shall contribute as to RMB26,800,000 (equivalent to approximately HK$32,428,000);

(m) the investment and cooperation agreement dated 6 January 2015 entered into between Wuhan Optics Valley Energy Conservation Technology Company Limited* (武漢光谷節能技術有限公司) (being an indirect subsidiary of the Company) and Wuhan Heruilong Consultancy Company Limited* (武漢和瑞隆諮詢有限公司) in relation to the establishment of Wuhan Optics Valley Energy Conservation Regional Energy Investment Company Limited* (武漢光谷節能區域能源投資有限公司), the registered capital of which Wuhan OVU shall contribute as to RMB10,200,000 (equivalent to approximately HK$12,342,000);

(n) the entrustment agreement dated 24 July 2014 entered into between CEC Technology and CEC Finance in relation to the provision of an entrusted loan of RMB400 million (equivalent to approximately HK$484 million) by CEC Technology to Hainan Resort Software Community Investment and Development Co., Ltd, the details of which were disclosed in the announcement of CECH dated 24 July 2014; and

(o) the investment and cooperation agreement dated 18 November 2014 entered into between Henan Quanshun Energy Conversation Services Company Limited* (河南泉舜節能服務有限公司) and Wuhan Optics Valley Energy Conservation Technology Company Limited* (武漢光谷節能技術有限公司) (being an indirect subsidiary of the Company) in relation to the establishment of Henan Quanshun Regional Energy Development Company Limited* (河南泉舜區域能源發展有限公司), the registered capital of which Wuhan Optics Valley Energy Conservation Technology Company Limited* (武漢光谷節能技術有限公司) shall contribute as to RMB4,000,000 (equivalent to approximately HK$4,840,000).

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
LY Capital Limited	licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Gram Capital	licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
KPMG	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear as at the Latest Practicable Date.

As at the Latest Practicable Date, all of the experts above were not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 30 June 2015 (being the date to which the latest published audited accounts of the Company were made up).

12. GENERAL

(i) The joint company secretaries of the Company are Ms. Zhang Xuelian and Ms. Leung Ching Ching. Ms. Zhang is the secretary to the Board and chief of the legal and compliance department of the Group, and she is qualified as a senior operation specialist and a senior human resources management specialist, and a senior economist. Ms. Leung is a manager of Corporate Services of Tricor Services Limited and is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(ii) The registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(iii) The head office and principal place of business in the PRC is situated at Block D, Exhibition Centre, 1 Guanshan Avenue, Optical Valley Software Park, Donghu New Technology Development Zone, Wuhan, Hubei, PRC.

(iv) The head office and principal place of business in Hong Kong of the Company is situated at Unit 2902, 29th Floor, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong.

13. ADDITIONAL DISCLOSURE

(i) The registered address of the CECH is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. As at the Latest Practicable Date, the directors of CECH were Mr. Dong Haoran, Mr. Ma Yuchuan, Mr. Liu Hongzhou, Mr. Jiang Juncheng, Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Chow Chan Lum.

(ii) The ultimate controlling shareholder of CECH is CEC, a state-owned enterprise established under the laws of the PRC. As at the Latest Practicable Date, the directors of CEC were Mr. Rui Xiaowu, Mr. Liu Liehong, Mr. Wang Zuoran, Mr. Song Ning, Mr. Chen Shengde, Mr. Chen Jie and Mr. Li Zhaoming.

(iii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existing whereby any of the Consideration Shares or CECH Subscription Shares will be transferred, charged or pledged to any other persons.

(iv) As at the Latest Practicable Date, none of the directors of CECH, CECH and parties acting in concert with it owned or controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company.

(v) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate, the Non-exempt Continuing Connected Transactions and the Whitewash Waiver.

(vi) As at the Latest Practicable Date, CECH and parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.

(vii) As at the Latest Practicable Date, CECH and parties acting in concert with it had not borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company.

(viii) Save for the entering into of the Equity Interest Transfer Agreement and the CECH Subscription Agreement, none of the directors of CECH, CECH and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to 16 October 2015 and ending on the Latest Practicable Date.

(ix) None of the Company and the Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of CECH as at the Latest Practicable Date. In addition, none of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of CECH during the period beginning six months prior to 16 October 2015 and ending on the Latest Practicable Date.

(x) Save as disclosed in the section headed "4. Directors' and chief executive's interests in Securities" in this appendix, as at the Latest Practicable Date, none of the Directors was interested in any shares, convertible securities, warrants, options or derivatives of the Company. In addition, none of the Directors had dealt for value in any securities, Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to 16 October 2015 and ending on the Latest Practicable Date.

(xi) As at the Latest Practicable Date, none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company, nor any adviser of the Company as specified in class (2) of the definition of associate in the Takeovers Code, owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company.

(xii) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code.

(xiii) Save for Mr. Huang Liping, Mr. Hu Bin and Ms. Chen Huifen who shall abstain from voting on the ordinary resolutions to be proposed at the EGM due to their involvement in the transactions contemplated in this circular, none of the Directors had any registered or beneficial shareholdings (as defined under Note 1 to paragraph 4, Schedule I of the Takeovers Code) in the Shares or convertible securities, warrants, options and derivatives of the Company which would entitle them to vote in respect of the ordinary resolutions for approving the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the Specific Mandate, the Non-exempt Continuing Connected Transactions and the Whitewash Waiver at the EGM.

(xiv) As at the Latest Practicable Date, none of the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. at the Company's principal place of business in Hong Kong at Unit 2902, 29th Floor, China Insurance Group Building, No 141 Des Voeux Road, Central, Hong Kong and will also be available on the websites of the Company at www.ovuni.com and the SFC at www.sfc.hk, from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the two years ended 31 December 2013 and 31 December 2014;

(iii) the interim report of the Company for the six months ended 30 June 2015;

(iv) the letter from the Board as set out in this circular;

(v) the letters from the Listing Rules IBC and the Code IBC, the text of which is set out on pages 51 to 54 of this circular;

(vi) the letter from Gram Capital to the Listing Rules IBC and the Code IBC and the Independent Shareholders, the text of which is set out on pages 55 to 88 of this circular;

(vii) the accountant's report from PricewaterhouseCoopers in respect of the historical financial information of CEC Technology Group, the text of which is set out in Appendix II-A to this circular;

(viii) the accountant's report from PricewaterhouseCoopers in respect of certain unaudited consolidated interim financial information of the CEC Technology Group, the text of which is set out in Appendix II-B to this circular;

(ix) the report from LY Capital Limited in respect of certain unaudited consolidated interim financial information of the CEC Technology Group, the text of which is set out in Appendix II-C to this circular;

(x) the accountant's report on the unaudited pro forma financial information of the Group from KPMG, the text of which is set out in Appendix IV to this circular;

(xi) the valuation report form DTZ Debenham Tie Leung Limited in respect of the properties held by CEC Technology Group, the text of which is set out in Appendix V to this circular;

(xii) the written consent from each of LY Capital Limited, Gram Capital, KPMG, PricewaterhouseCoopers and DTZ Debenham Tie Leung Limited as referred to in the paragraph headed "Qualification and consent of experts" in this appendix;

(xiii) the Entrusted Loan Agreement dated 29 October 2015, details of which are disclosed in paragraph (i) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xiv) the Entrusted Loan Agreement dated 10 November 2015, details of which are disclosed in paragraph (ii) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xv) the Entrusted Loan Agreement dated 10 November 2015, details of which are disclosed in paragraph (iii) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xvi) the confirmation letter dated 27 November 2015 from CECH to CEC Finance referred to in paragraphs (i), (ii) and (iii) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xvii) the Entrusted Loan Agreement dated 18 December 2015, details of which are disclosed in paragraph (iv) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xviii) the Entrusted Loan Agreement dated 19 January 2016, details of which are disclosed in paragraph (v) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xix) the Entrusted Loan Agreement dated 27 January 2016, details of which are disclosed in paragraph (vi) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xx) the Entrusted Loan Agreement dated 3 February 2016, details of which are disclosed in paragraph (vii) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xxi) the Entrusted Loan Agreement dated 17 February 2016, details of which are disclosed in paragraph (viii) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xxii) the Entrusted Loan Agreement dated 19 February 2016, details of which are disclosed in paragraph (ix) under the section headed "IV. Non-exempt Continuing Connected Transactions — Entrusted Loan Agreements" in the letter from the Board contained in this circular;

(xxiii) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(xxiv) the circular of the Company dated 31 December 2015; and

(xxv) this circular.

Optics Valley Union Holding Company Limited

光 谷 聯 合 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 798)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Optics Valley Union Holding Company Limited (the "**Company**") will be held at Unit 2902, 29th Floor, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong at 10:00 a.m. on Wednesday, 16 March 2016 for the purpose of considering, and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the Equity Interest Transfer Agreement (as defined and the particulars of which are set out in the circular of the Company of which this notice forms part (the "**Circular**")) referred to in the section headed "I. The Equity Interest Transfer Agreement" in the "Letter from the Board" contained in the Circular and the transactions contemplated thereunder be and are hereby approved and confirmed;

(b) the Share Charge (as defined and the particulars of which are set out in the Circular) referred to in the section headed "I. Equity Interest Transfer Agreement — The Charge Over Deposits, the Entrusted Loans and the Share Charge" in the "Letter of the Board" contained in the Circular and the transactions contemplated thereunder which constitutes a special deal under Rule 25 of the Hong Kong Code of Takeovers and Mergers be and are hereby approved and confirmed;

(c) the CECH Subscription Agreement (as defined and the particulars of which are set out in the Circular) referred to in the section headed "II. The CECH Subscription Agreement" in the "Letter from the Board" contained in the Circular and the transactions contemplated thereunder be and are hereby approved and confirmed;

(d) the Placing Agreement (as defined and the particulars of which are set out in the Circular) referred to in the section headed "III. The Placing Agreement" in the "Letter from the Board" contained in the Circular and the transactions contemplated thereunder be and are hereby approved and confirmed;

(e) any one or more directors of the Company be and are hereby authorised to allot and issue the Consideration Shares, the CECH Subscription Shares and the Placing Shares (as defined in the Circular) (the "**Specific Mandate**") pursuant to the terms of the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing Agreement, respectively;

(f) the Whitewash Waiver (as defined in the Circular) referred to in the section headed "V. Implications under the Takeovers Code and application of Whitewash Waiver" in the "Letter of the Board" contained in the Circular, granted or to be granted by the Executive Director (the "**Executive**") of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to the Hong Kong Code on Takeovers and Mergers waiving any obligation on the part of China Electronics Corporation Holdings Company Limited ("**CECH**") and parties acting in concert with it, to make a general offer for all the issued shares of the Company not already owned or agreed to be acquired by them as a result of the subscription of the Consideration Shares and Subscription Shares by CECH, be and is hereby approved; and

(g) any one or more directors of the Company be and are hereby authorised to sign, execute and deliver all such documents and take all such actions and steps and do such acts, matters and things as any one or more of them may consider necessary, appropriate, desirable or expedient to give full effect to this resolution, and for the purposes of or in connection with the Equity Interest Transfer Agreement, the CECH Subscription Agreement, the Placing Agreement, the Share Charge and the transactions contemplated thereunder or the implementation of any of them, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such director(s), in the interests of the Company and its shareholders as a whole."

2. "**THAT**

(a) the Non-exempt Continuing Connected Transactions (as defined and the particulars of which are set out in the Circular) referred to in the section headed "IV. Non-exempt Continuing Connected Transactions" in the "Letter of the Board" contained in the Circular and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the relevant new cap be and is hereby approved; and

(b) any one or more directors of the Company be and are hereby authorised to sign, execute and deliver all such documents and take all such actions and steps and do such acts, matters and things as any one or more of them may consider necessary, appropriate, desirable or expedient to give full effect to this resolution."

By Order of the Board
Optics Valley Union Holding Company Limited
Huang Liping
Chairman

Hong Kong

25 February 2016

Notes:

1. All resolutions at the meeting (except those relate purely to the procedural or administrative matters, which should be taken by a show of hands as the Chairman may decide, in good faith) will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy (or more than one proxy if he is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed in the relevant form of proxy.

   During a vote by poll, each shareholder attending by himself/herself or by proxy shall have one vote per share.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Holders of shares of the Company whose names appear on the register of the Company kept at Computershare Hong Kong Investor Services Limited at 4:30 pm on Tuesday, 15 March 2016 will be entitled to vote at the extraordinary general meeting. In order to be eligible to attend and vote at the extraordinary general meeting, all 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, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 March 2016.