中电光谷
CEC OPTICS VALLEY

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 798)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

SUMMARY OF 2016 RESULTS

- For the year ended 31 December 2016, the total revenue of the Group was RMB2,594.7 million, up 36.3% from 2015.

- Profit attributable to owners of the Company was approximately RMB431.9 million, representing a decrease of 13.6% as compared to the same period of 2015. Core net profit of the Group (excluding post-tax fair value gains on investment properties) was approximately RMB334.8 million, representing an increase of 36.5% as compared to the same period of 2015.

- Consolidated gross margin of the Group was 31.3% in 2016, representing an increase of 0.2 percentage point as compared to 31.1% in 2015. The core net profit margin was 12.9%.

- As at 31 December 2016, the total domestic borrowings of the Group was RMB3,229.9 million, of which corporate bonds payable was approximately RMB576.9 million, accounting for 17.9% of the total domestic borrowings. Benefiting from more diverse financing channels, the average borrowing cost was 6.7% in 2016, compared to 7.5% in 2015.

- Equity attributable to the owners of the Company was approximately RMB5,691.4 million, representing an increase of 105.8% compared to 2015.

- The Board proposes to declare a final dividend of HK$2.0 cents (equivalent to approximately RMB1.8 cents) per Share, approximately HK$160.0 million in aggregate (equivalent to approximately RMB143.1 million) for the year ended 31 December 2016.

The Board (the "**Board**") of directors (the "**Directors**") of China Electronics Optics Valley Union Holding Company Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016, together with the comparative figures for 2015 as follows.

AUDITED CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

Consolidated Statement of Profit or Loss

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*2*	**2,594,701**	1,903,840
Cost of sales	*4*	**(1,783,078)**	(1,311,834)
Gross profit		**811,623**	592,006
Other income and gains — net	*3*	**214,246**	27,488
Selling and distribution expenses	*4*	**(84,517)**	(64,083)
Administrative expenses	*4*	**(251,985)**	(167,093)
Fair value gains on investment properties		**179,589**	345,638
Operating profit		**868,956**	733,956
Finance income	*5*	**46,810**	34,788
Finance costs	*5*	**(118,110)**	(12,474)
Net finance (costs)/income	*5*	**(71,300)**	22,314
Share of losses of associates	*10*	**(37,045)**	(644)
Share of profits/(losses) of joint ventures		**414**	(7,598)
Profit before income tax		**761,025**	748,028
Income tax expense	*6*	**(291,530)**	(243,438)
Profit for the year		**469,495**	504,590
Profit attributable to:			
— Owners of the Company		**431,925**	499,886
— Non-controlling interests		**37,570**	4,704
Profit for the year		**469,495**	504,590
Basic and diluted earnings per share (RMB cents)	*7*	**7.18**	12.50

Consolidated Statement of Comprehensive Income

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**469,495**	504,590
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
— Revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**14,051**	17,925
Items that may be reclassified to profit or loss:		
— Currency translation differences	**34,679**	305
Other comprehensive income for the year, net of tax	**48,730**	18,230
Total comprehensive income for the year	**518,225**	522,820
Attributable to:		
— Owners of the Company	**480,655**	518,116
— Non-controlling interests	**37,570**	4,704
Total comprehensive income for the year	**518,225**	522,820

Consolidated Statement of Financial Position

		At 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**407,575**	274,915
Investment properties	*9*	**2,220,540**	1,225,700
Land use rights		**2,207**	—
Intangible assets		**4,515**	4,248
Investments in associates	*10*	**444,715**	13,215
Investments in joint ventures		**168,153**	36,051
Available-for-sale financial assets		**10,000**	13,000
Trade and other receivables	*14*	**252,318**	—
Deferred income tax assets		**45,077**	68,318
		3,555,100	1,635,447
Current assets			
Properties under development	*11*	**1,483,295**	2,443,551
Completed properties held for sale	*12*	**2,935,645**	2,317,286
Inventories and contracting work-in-progress	*13*	**130,429**	232,544
Trade and other receivables	*14*	**1,412,645**	610,373
Current income tax assets		**5,318**	6,661
Available-for-sale financial assets		**6,000**	—
Restricted cash		**208,904**	150,466
Cash and cash equivalents		**1,812,583**	901,364
		7,994,819	6,662,245
Non-current assets classified as held for sale		**28,200**	19,000
Assets of disposal group held for sale		**—**	576,736
		8,023,019	7,257,981
Current liabilities			
Trade and other payables	*15*	**1,711,231**	2,075,713
Corporate bonds	*16*	**7,350**	531,434
Bank and other borrowings	*17*	**1,588,180**	1,292,316
Current income tax liabilities		**271,068**	126,372
Current portion of deferred income		**4,330**	4,087
		3,582,159	4,029,922

Consolidated Statement of Financial Position (Continued)

		At 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Liabilities directly associated with non-current assets classified as held for sale		**—**	2,598
Liabilities of disposal group held for sale		**—**	48,645
		3,582,159	4,081,165
Net current assets		**4,440,860**	3,176,816
Total assets less current liabilities		**7,995,960**	4,812,263
Non-current liabilities			
Corporate bonds	*16*	**569,573**	560,544
Bank and other borrowings	*17*	**1,064,820**	991,000
Deferred income tax liabilities		**239,682**	171,676
Non-current portion of deferred income		**38,969**	36,783
		1,913,044	1,760,003
Net assets		**6,082,916**	3,052,260
Equity			
Share capital	*18*	**658,680**	316,800
Treasury shares	*18*	**(110,105)**	—
Reserves		**3,448,902**	1,150,334
Retained earnings		**1,693,875**	1,298,502
Total equity attributable to owners of the Company		**5,691,352**	2,765,636
Non-controlling interests		**391,564**	286,624
Total equity		**6,082,916**	3,052,260
Total equity and non-current liabilities		**7,995,960**	4,812,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(i) The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on 1 January 2016, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(ii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted

		Effective for the financial year beginning on or after
International Accounting Standards ("IAS") 12 (Amendments)	Income taxes	1 January 2017
IAS 7 (Amendments)	Statement of cash flows	1 January 2017
International Financial Reporting Standards ("IFRS") 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

None of the above new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 15 set out below:

The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- Revenue from pre-sales of properties under development may not be recognised at a point in time. Instead, some may be resulted in recognition of revenue over a period of time depending on the terms of the contract;

- The timing of revenue recognition for sale of a completed property, which is currently based on whether significant risk and reward of ownership of properties transfer, may also need to be revisited under the control transfer model; and

- The Group currently offers different payment plans to customers, which may have to adjust the transaction price for revenue recognition when significant financial component exists.

At this stage, the Group is not able to quantify the impact of the new standard on the Group's consolidated financial statements. The Group is performing a more detailed assessment on the impact to the Group.

2 SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). In prior years, the Group had identified five segments, namely property development and investment holding, construction contract, property leasing, development management services and business operation services. During the second half of 2016, to better align with the Group's business strategy and to reflect the growth of the Group's light-asset businesses, the Group has combined the property development and investment holding, and property leasing segments into one segment, the industrial park development business segment, which represents the Group's heavy-asset businesses; in addition, the construction contract and development management services segments were aggregated into one segment, the construction and management services segment, as both of them are related to industrial park construction services; the Group also changed the name of business operation services segment to industrial park operation services to reflect the Group's focus on industrial park; a new business segment, the industrial investment, which represents the Group's venture investment business has been identified during the year. As a result of the above changes, the segment information for the year ended 31 December 2015 was re-presented for comparison purposes. At 31 December 2016, the Group has the following four segments:

- Industrial park development: this segment develops and sells industrial parks and ancillary residential properties. It also includes leasing self-owned park properties to generate rental income and capital gains from the appreciation in the properties' values in the long term.

- Construction and management services: this segment provides services relating to the construction 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. It also provides project management and consultation services for certain projects under construction.

- Industrial park operation services: this segment provides property management service, district heating and cooling service, and other services for industrial parks.

- Industrial investment: this segment represents the Group's industrial-related strategic investments in certain start-up companies. Management consider this segment not reportable as at 31 December 2016 as its revenue, profit or loss and assets are all less than 10% of those of the Group.

(a) Segment results

The measure used for assessing the performance of the operating segments is operating profit as adjusted by excluding fair value gains on investment properties. The Group's most senior executive management does not assess the assets and liabilities of the operating segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

For the year ended 31 December 2016

	Industrial park development *RMB'000*	Construction and management services *RMB'000*	Industrial park operation services *RMB'000*	Total *RMB'000*
Segment revenue	2,074,935	375,863	393,112	2,843,910
Inter-segment revenue	(20,990)	(206,395)	(21,824)	(249,209)
Revenue from external customers	2,053,945	169,468	371,288	2,594,701
Segment results	647,714	5,558	36,095	689,367
Depreciation and amortisation	(19,589)	(11,779)	(4,694)	(36,062)

For the year ended 31 December 2015

	Industrial park development *RMB'000*	Construction and management services *RMB'000*	Industrial park operation services *RMB'000*	Total *RMB'000*
Segment revenue	1,575,311	346,068	287,135	2,208,514
Inter-segment revenue	(1,520)	(263,267)	(39,887)	(304,674)
Revenue from external customers	1,573,791	82,801	247,248	1,903,840
Segment results	346,357	3,441	38,520	388,318
Depreciation and amortisation	(9,585)	(9,047)	(4,208)	(22,840)

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

	2016	2015
	RMB'000	*RMB'000*
Segment results	**689,367**	388,318
Fair value gains on investment properties	**179,589**	345,638
Share of losses of associates	**(37,045)**	(644)
Share of profits/(losses) of joint ventures	**414**	(7,598)
Finance income	**46,810**	34,788
Finance costs	**(118,110)**	(12,474)
Income tax expense	**(291,530)**	(243,438)
Profit for the year	**469,495**	504,590

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

	2016	2015
	RMB'000	*RMB'000*
Industrial park development		
Sales of industrial park properties	**1,463,163**	843,867
Sales of ancillary residential properties	**507,011**	689,070
Self-owned park properties leasing	**83,771**	40,854
	2,053,945	1,573,791
Construction and management services		
Construction contract	**156,056**	66,659
Development management services	**13,412**	16,142
	169,468	82,801
Industrial park operation services		
Property management service	**239,478**	159,143
District heating and cooling service	**53,668**	47,683
Others	**78,142**	40,422
	371,288	247,248
Total	**2,594,701**	1,903,840

The Group's entire revenue is attributable to the market in Mainland China and over 95% of the Group's non-current assets other than financial instruments and deferred income tax assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

3 OTHER INCOME AND GAINS — NET

	2016	2015
	RMB'000	*RMB'000*
Gains on disposal of subsidiaries	**128,559**	—
Government subsidies	**86,119**	28,391
Compensation income	**489**	8,378
Net gains on disposal of property, plant and equipment	**70**	27
Losses on disposal of investment properties	**(1,535)**	—
Others	**544**	(9,308)
	214,246	27,488

4 EXPENSES BY NATURE

	2016	2015
	RMB'000	*RMB'000*
Depreciation	**35,249**	22,353
Amortisation	**813**	487
Employee benefit expenses	**324,853**	225,014
Cost of properties sold	**1,361,929**	1,063,035
Cost of construction services	**75,953**	13,499
Outsourcing costs for property management	**125,107**	50,331
Operating lease payments	**1,468**	2,491
Auditors' remuneration		
— Audit services	**1,800**	2,000
— Non-audit services	**939**	500
Other professional service fees	**15,177**	9,304
Advertising costs	**24,866**	23,400
Other expenses	**151,426**	130,596
Total cost of sales, selling and distribution expenses and administrative expenses	**2,119,580**	1,543,010

5 FINANCE INCOME AND COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses	**(271,783)**	(291,237)
Capitalised interest expenses	**154,127**	279,364
Net foreign exchange losses	**(454)**	(601)
Finance costs	**(118,110)**	(12,474)
Interest income from bank deposits	**28,016**	34,305
Interest income from entrusted loan	**18,760**	—
Income from available-for-sale financial assets	**34**	483
Finance income	**46,810**	34,788
Net finance (costs)/income	**(71,300)**	22,314

Borrowing costs arising on financing specifically arranged for the construction of properties were capitalised using the rates ranged from 4.75% to 7.07% (2015: 4.79% to 9.64%) per annum, and other borrowing costs were capitalised using an average interest rate of 7.55% (2015: 7.50%) per annum.

6 INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC Corporate Income Tax ("CIT")	**121,718**	91,705
Land Appreciation Tax ("LAT")	**110,605**	65,976
Total current tax	**232,323**	157,681
Deferred tax:		
Origination and reversal of temporary differences	**59,207**	85,757
Income tax expense	**291,530**	243,438

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax:	**761,025**	748,028
Tax calculated at domestic statutory tax rate of 25% (Note (i) to (iii))	**190,256**	187,007
Tax effects of:		
— Income not subject to tax	**—**	(602)
— Share of results of associates and joint ventures	**9,158**	2,061
— Expenses not deductible for tax purposes	**3,363**	4,855
— Adopting prescribed tax calculation method by PRC subsidiaries (Note (iii))	**(468)**	(1,263)
— Different tax rates applicable to different subsidiaries of the Group	**3,302**	—
— Reversal of PRC dividend withholding tax	**(4,817)**	(247)
— Tax losses for which no deferred income tax asset was recognised	**7,782**	2,145
LAT in relation to completed properties sold (Note (iv))	**110,605**	65,976
Tax effects of LAT	**(27,651)**	(16,494)
	291,530	243,438

Notes:

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

(ii) No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax for 2016.

(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 approvals from the local tax authorities, the assessable profits of certain subsidiaries of the Group were calculated based on 8% to 11% of their respective gross revenues for the year.

(iv) LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (Note 18).

	2016	2015
Profit attributable to owners of the Company (RMB'000)	**431,925**	499,886
Weighted average number of ordinary shares in issue (thousands)	**6,015,326**	4,000,000
Basic earnings per share (RMB cents)	**7.18**	12.50

There were no potential dilutive ordinary shares in 2016 and 2015, diluted earnings per share therefore equals to basic earnings per share.

8 DIVIDENDS

The dividends paid in 2016 and 2015 were RMB205,728,000 (HK$3.00 cents per share) and RMB100,941,000 (HK$3.20 cents per share) respectively. The Board has resolved on 23 March 2017 to recommend for declaration and payment of a final dividend of HK$2.00 cent per share (equivalent to RMB1.8 cent per share), amounting to a total dividend of HK$160,000,000 (equivalent to RMB143,122,000), out of the share premium account of the Company. These financial statements do not reflect this dividend payable.

	2016	2015
	RMB'000	*RMB'000*
Special dividend paid of HK$3.00 cents (2015: nil) per ordinary share	**205,728**	—
Proposed final dividend of HK$2.00 cents (2015: nil) per ordinary share	**143,122**	—

9 INVESTMENT PROPERTIES

	2016	2015
	RMB'000	*RMB'000*
At fair value		
Opening balance at 1 January	**1,225,700**	527,510
Addition from acquisition of a subsidiary	**552,620**	—
Transfer from property, plant and equipment	**74,481**	62,600
Transfer from completed properties held for sale	**387,895**	248,652
Other additions	**46,155**	60,300
Net gains from fair value adjustment	**179,589**	345,638
Disposals	**(47,700)**	—
Transfer to properties under development	**(170,000)**	—
Transfer to non-current assets classified as held for sale	**(28,200)**	(19,000)
Closing balance at 31 December	**2,220,540**	1,225,700

Certain bank loans granted to the Group were jointly secured by certain investment properties with an aggregate fair value of RMB416,090,000 (2015: RMB189,926,000) as at 31 December 2016 (Note 17).

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 2 years to 15 years.

The Group's investment properties carried at fair value were revalued as at 31 December 2016 mainly by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors. During 2016, a total gain of RMB179,589,000 (2015: RMB345,638,000), and deferred tax thereon of RMB46,530,000 (2015: RMB86,409,500), were recognised in the consolidated statement of profit or loss.

10 INVESTMENTS IN ASSOCIATES

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**13,215**	761
Addition from acquisition of a subsidiary	**433,002**	—
Other additions	**32,543**	13,098
Share of losses	**(37,045)**	(644)
Transfer from available-for-sale financial assets	**3,000**	—
At 31 December	**444,715**	13,215

List of major associates as at 31 December 2016 is as follows:

Name	Place of establishment and type of legal entity	Principal place of operation and activities	Registered and paid-in capital	Interest held
Hainan Resort Software Community Investment and Development Co., Ltd. ("Hainan Investment")	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB160,000,000	40.00%
Wuhan Easylinkin Technology Co., Ltd.	PRC, limited liability company	PRC, development of computer software	RMB25,000,000	31.47%

11 PROPERTIES UNDER DEVELOPMENT

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

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Expected to be completed for sale within one year		
Properties under development for sale	**551,566**	1,110,806
Expected to be completed for sale after more than one year		
Properties under development for sale	**931,729**	1,332,745
	1,483,295	2,443,551

Properties under development with an aggregate carrying value of RMB609,022,000 (2015: RMB2,274,502,000) as at 31 December 2016 were pledged for certain bank loans granted to the Group (Note 17).

12 COMPLETED PROPERTIES HELD FOR SALE

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

Completed properties held for sale with an aggregate carrying value of RMB1,903,198,000 (2015: RMB565,946,000) as at 31 December 2016 were pledged for certain bank loans granted to the Group (Note 17).

13 INVENTORIES AND CONTRACTING WORKING-IN-PROGRESS

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Gross amounts due from customers for contract work (Note (i))	**108,023**	194,300
Work in progress	**8,340**	9,617
Finished goods	**12,943**	26,914
Raw materials	**1,123**	1,713
	130,429	232,544

Note:

(i) Gross amounts due from customers for contract work

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cost plus attributable profit less foreseeable losses	**303,210**	277,760
Progress billings issued	**(195,187)**	(83,460)
Contracting work-in-progress	**108,023**	194,300
Representing:		
Gross amounts due from customers for contract work included in inventories and contracting work-in-progress	**108,023**	194,300

14 TRADE AND OTHER RECEIVABLES

	At 31 December 2016 RMB'000	2015 RMB'000
Current portion		
Trade and bill receivables (Note a)	**539,330**	345,980
Amounts due from related parties	**442,156**	1,002
Prepayments for construction cost and raw materials	**152,804**	69,141
Deposits	**15,000**	25,000
Interest receivables from entrusted loans to an associate	**7,568**	—
Prepaid business tax and other taxes	**6,911**	6,026
Prepayments for potential acquisition of certain equity interest in a property development company	**—**	50,000
Others	**248,876**	113,224
	1,412,645	610,373
Non-current portion		
Prepayments for acquisition of certain equity interests	**208,318**	—
Prepayments for acquisition of certain properties	**44,000**	—
	252,318	—
Total	**1,664,963**	610,373

Note:

(a) Trade debtors and bills receivable are due within 3 months to 12 months from the date of billing. As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 31 December 2016 RMB'000	2015 RMB'000
Within 1 month	**134,433**	189,180
1 to 3 months	**71,051**	3,685
3 to 6 months	**78,384**	5,203
Over 6 months	**255,462**	147,912
	539,330	345,980

Trade receivables are primarily related to the sale of properties. Proceeds from the sale of properties are made in one-off payment upfront or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. If payment is made in one-off payment, settlement is normally required by date of signing the sales contract. If payments are made in instalments, settlement is in accordance with the contract terms.

The 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.

As of 31 December 2016, trade receivables of RMB111,612,000 (2015: RMB121,142,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Less than 1 month past due	**5,842**	54,561
Over 1 month and within 3 months past due	**16,080**	720
Over 3 months and within 6 months past due	**40**	5,604
Over 6 months past due	**89,650**	60,257
	111,612	121,142

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15 TRADE AND OTHER PAYABLES

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade creditors and bills payable (a)	**990,100**	1,224,214
Receipts in advance	**348,881**	261,785
Accrued payroll	**34,126**	20,303
Other payables and accruals	**295,311**	214,411
Amounts due to a non-controlling shareholder	**—**	350,000
Amounts due to related parties	**42,813**	5,000
Total	**1,711,231**	2,075,713

(a) As at 31 December 2016, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**491,727**	728,182
1 to 12 months	**282,088**	314,744
Over 12 months	**216,285**	181,288
	990,100	1,224,214

16 CORPORATE BONDS

	2016	2015
	RMB'000	*RMB'000*
As at 1 January	**1,091,978**	1,187,264
Net proceeds from bonds issued	**—**	199,000
Interest expenses	**68,845**	99,914
Coupon interest paid	**(83,900)**	(94,200)
Principal paid	**(500,000)**	(300,000)
At 31 December	**576,923**	1,091,978
Representing:		
Current portion	**7,350**	531,434
Non-current portion	**569,573**	560,544

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 9.48%.

In June 2014, the Group issued non-public debt financing instruments with maturity of 2 years with face value of RMB300,000,000 bearing annual interest rates of 8.20%. The actual proceed received by the Group was approximately RMB292,450,000. This bond was denominated in RMB and issued at par. Interest was payable yearly while principal was repaid when the bonds fell due. The annual effective interest rates of this bond is 9.64%. This bond was fully repaid in 2016.

In March 2015, the Group issued non-public debt financing instruments with maturity of 365 days with face value of RMB200,000,000 bearing annual interest rates of 7.60%. The actual proceed received by the Group was approximately RMB199,000,000. This bond was denominated in RMB and issued at par. Interest and principal were paid together when the bond fell due. The annual effective interest rate of this bond was 8.14%. This bond was fully repaid in 2016.

17 BANK AND OTHER BORROWINGS

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current		
Secured		
— Bank borrowings	**325,000**	377,920
— Current portion of non-current bank borrowings	**432,180**	357,180
	757,180	735,100
Pledged		
— Current portion of non-current pledged borrowings	**—**	157,216
Unsecured		
— Bank borrowings	**830,000**	400,000
— Current portion of non-current bank borrowings	**1,000**	—
	831,000	400,000
	1,588,180	1,292,316
Non-current		
Secured		
— Bank borrowings	**1,398,000**	1,348,180
Less: Current portion of non-current bank borrowings	**(432,180)**	(357,180)
	965,820	991,000
Pledged		
— Other borrowings	**—**	157,216
Less: Current portion of non-current pledged borrowings	**—**	(157,216)
	—	—
Unsecured		
— Bank borrowings	**100,000**	—
Less: Current portion of non-current bank borrowings	**(1,000)**	—
	99,000	—
	1,064,820	991,000

Movements in borrowings are analysed as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Opening amount	**2,283,316**	2,138,846
Addition from acquisition of a subsidiary	**1,345,320**	—
Proceeds from borrowings	**1,847,000**	1,544,620
Repayments of borrowings	**(2,822,636)**	(1,400,150)
Closing amount	**2,653,000**	2,283,316

The bank and other borrowings bear interest ranging from 4.32% to 6.90% per annum for year ended 31 December 2016 (2015: from 5.22% to 12.00%).

The Group's borrowings were repayable as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,588,180**	1,292,316
After 1 year but within 2 years	**554,880**	421,180
After 2 years but within 5 years	**509,940**	569,820
	2,653,000	2,283,316

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

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Completed properties held for sale (Note 12)	**1,903,198**	565,946
Properties under development (Note 11)	**609,022**	2,274,502
Investment properties (Note 9)	**416,090**	189,926
Restricted cash	**100,239**	38,257
Property, plant and equipment	**28,030**	48,655
	3,056,579	3,117,286

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached (2015: nil).

18 SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated on 15 July 2013 with authorised capital of 100,000 shares at HK$0.10 per share. As part of the reorganisation, the authorised 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:

	At 31 December 2016			At 31 December 2015	
	No. of Shares		**Treasury shares**	No. of Shares	
	('000)	***RMB'000***	***RMB'000***	*('000)*	*RMB'000*
Ordinary shares, issued and fully paid:					
At 1 January	**4,000,000**	**316,800**	**—**	4,000,000	316,800
Issue of new shares	**4,000,000**	**341,880**	**—**	—	—
Shares purchased for the share award scheme (a)	**—**	**—**	**(110,105)**	—	—
At the end of the year	**8,000,000**	**658,680**	**(110,105)**	4,000,000	316,800

(a) A share award scheme was adopted by the Company on 22 December 2016 (the "Share Award Scheme"). During 2016, a trustee appointed by the Company for the purpose of the Share Award Scheme purchased a total of 152,998,000 shares at a total consideration of RMB110,105,000 according to the Share Award Scheme. As at 31 December 2016, none of the 152,998,000 shares has been granted.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In a global economy plagued with risks, the Chinese government kicked off the "13th Five-Year" Plan on a positive note by rolling out a series of important strategic measures such as innovation and entrepreneurship, "One-Belt, One-Road" as well as strenuous promotion of PPP model and government purchase under the keynote of supply-side structural reform. The ongoing systematic reform and policy innovation also generate impetus for China's economic development in the new generation and offer new opportunities for China's economic and social development.

This is the same for Optics Valley Union Holding Company Limited ("**OVU**"), in 2016, OVU completed a strategic asset reorganization with China Electronics Corporation, and accordingly we changed our English name to "China Electronics Optics Valley Union Holding Company Limited" ("**CEOVU**"), upon which, we became the sole industrial park development and operation platform of China Electronics Corporation. As at 31 December 2016, the industrial park development and operation business of the Group has penetrated into 15 major cities, including Qingdao, Wuhan, Hefei, Xi'an and Chengdu, etc., and seven of which are rated as the central cities of China, realizing our nation-wide business layout.

In 2015, we embarked on business structure optimization and strategic transformation and achieved practical progress in the past two years. Since the businesses under transformation are getting on track, it is necessary to depict the direction of corporate strategic development and business transformation more clearly through adjusting business segments in order to gradually realize a diversified profit model centering on the advantages generated from industrial park development and operation. There is a substantial increase in the operating income, and our business structure is becoming increasingly mature. In 2016, the revenue from our main business was RMB2,594.7 million, representing a growth of 36.3% as compared to 2015. Among which, industrial park development business accounted for 79.2%, construction and management services accounted for 6.5%, while industrial park operation services accounted for 14.3%. We have established a comprehensive system for enterprises stationed in our parks, providing them with development and operation services covering the whole life cycle and whole industry chain. New business segments such as smart city, innovation and entrepreneurship service, EPC integrated design and construction service and industrial investment, have a great potential to support our profit growth and business expansion in the upcoming future. CEOVU, working in a prudent and solid manner, is leading the Group towards a glorious future.

RESULT OF OPERATIONS

In 2016, the Group generated a revenue of approximately RMB2,594.7 million, representing a growth of 36.3% as compared to 2015; the profit before tax and profit for the year were RMB761.0 million and RMB469.5 million, respectively. Profit attributable to owners of the Company was approximately RMB431.9 million, representing a decrease of 13.6% as compared to the same period of 2015. Core net profit of the Group (excluding post-tax fair value gains on investment properties) amounted to approximately RMB334.8 million, representing an increase of 36.5% as compared to the same period of

2015. Equity attributable to owners of the Company increased by 105.8% to RMB5,691.4 million. Net asset value per share reached RMB0.76, maintaining the same percentage as compared to the same period in 2015.

BUSINESS SEGMENT ANALYSIS

As at 31 December 2016, the Group, being a leading development and operation services enterprise in themed business parks, developed or operated various business parks in 15 cities, namely Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Chengdu, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Tianjin, Dongying and Loyang. The Group manages its businesses by business lines (products and services). In prior years, the Group had identified five segments, which were property development and investment holding, construction contract, property leasing, development management services and business operation services. During the second half of 2016, to better align with the Group's business strategy and to reflect the growth of the Group's light-asset businesses, the Group has combined the property development and investment holding, and property leasing segments into one segment: the industrial park development business segment, which represents the Group's heavy-asset businesses. In addition, the construction contract and development management services segments were combined into one segment: the construction and management services segment, as both of them are related to industrial park construction services. The Group also changed the name of business operation services segment to industrial park operation services to reflect the Group's focus on industrial park. A new business segment, the industrial investment segment, which represents the Group's venture investment business, has been identified during the year. As at 31 December 2016, the Group's business consists of 4 parts: (i) industrial park development business (including development and sale of industrial parks, development and sale of ancillary residential properties and lease of self-owned park properties), (ii) construction and management services (including governmental procurement services, PPP service, EPC integrated design and construction service, project management and consultation services), (iii) industrial park operation services (including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, innovation and investment service, real estate marketing and agency, group catering, hotel, human resources and training for industrial parks as well as financial services for industrial parks), and (iv) industrial investment (industrial-related strategic investments in various themed parks).

I. INDUSTRIAL PARK DEVELOPMENT BUSINESS

In 2016, the income from the industrial park development business of the Group was RMB2,053.9 million, representing a growth of 30.5% as compared to 2015. Among which, the sales income from industrial park properties was RMB1,463.1 million, representing a growth of 73.4%, with a booked sales area of 242,000 sq.m., representing an increase of 65.6% as compared to the same period last year, which is mainly attributable to the commencement of sales of Hefei Financial Habour Project in 2016 which pushed up the average properties selling price of the Group. Ancillary residential properties achieved a sales income of RMB507.0 million, the income slightly dropped while the unit price increased by 12.8% as compared to last year, which is mainly attributable to the huge demand in the Wuhan housing market in 2016. Industrial park lease income amounted to RMB83.8 million, representing a growth of 105.0%, with a lease area of 397,000 sq.m. and occupancy rate of over 80.0%.

1. Sales of Industrial Park Properties Business

1.1 *Sales of Self-owned Industrial Park*

In 2016, the income from self-owned industrial park development business was mainly generated from Hefei, Wuhan, Qingdao, Shenyang and Ezhou, among which, the sales income from Hefei project reached RMB615.6 million, accounting for 42.1% of the income from sales of industrial park properties. The sales income from Shenyang project was RMB103.6 million, accounting for 7.1% of the income from sales of industrial park properties. Excluding the project in Wuhan, the proportion of sales from projects in other cities has reached 57.9%, surpassing our business in Wuhan for the first time. This demonstrated that the sales of industrial park properties business is well received by our clients in other major cities throughout the nation.

During 2016, the newly added projects of CEOVU, namely Xi'an CEC Information Harbour, Beihai CEC Information Harbour, Wenzhou CEC Information Harbour and Hainan Software Park, were accounted for as projects for sale. Being the leading projects in their respective local markets, these projects are adjusting their positioning.

The growth in the sales income from industrial park properties is mainly attributable to the following reasons: (1) overall rising trend in the domestic real estate markets in first and second tier cities; (2) recognition from our clients as to the location, design and construction standard of the industrial properties provided by the Group; and (3) the flexible and appropriate business solicitation strategies adopted by the Group in line with the demands of our customers.

1.2 *Development and Progress of Industrial Park Properties*

Due to the in-depth adjustment of industrial structure in China, timely adjustments will be made to the development strategies for different cities and different themed industrial parks. In general, during 2016, the total area of construction commenced in industrial parks was 241,000 sq.m., increasing by 369.7% as compared to 51,200 sq.m. in 2015. Completed construction area amounted to 562,000 sq.m., increasing by 39.5% as compared to 403,000 sq.m. in 2015. As at the end of 2016, the total area under construction was approximately 426,000 sq.m.

1.3 *Land Bank*

During 2016, the Group obtained the land for the Shenyang CEC Information Harbour Project in Shenyang City, Liaoning Province with an area of 125,000 sq.m. through listing-for sale. We obtained land that can be developed with a gross floor area of 2,813,000 sq.m. for CEC Information Projects in Xi'an, Beihai, Hainan Chengmai and Wenzhou through the acquisition of 100% equity interests in China Electronics Technology Development Co., Ltd ("**CEC Technology**") in 2016. As a result, the land bank of the Group was 5,344,000 sq.m., distributed in 11 cities, namely Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang and Chengmai (Hainan). The total land bank area meets the development requirements of the Group for industrial park development and sales business in the upcoming five to ten years.

2. Self-owned Park Properties Leasing

During 2016, the income growth of the self-owned park properties leasing was 105.0%, with a growth in rent of 17.5%. The area of the self-owned quality properties reached 397,000 sq.m., with an occupancy rate of over 80.0%. It brought a stable and sustainable cash flow to the Group, further optimized the model of business solicitation services for parks and promoted brand effectiveness continuously.

II. CONSTRUCTION AND MANAGEMENT SERVICES

1. Governmental Procurement, EPC Integrated Design and Construction Service

In recent years, the governmental procurement service, which was born out of the reform tide of local exploration, has been promoted as a national strategy. The central government and local authorities issued numerous laws and regulations, particularly in fields such as development of new industrial cities and industrial parks, to support, encourage and standardize governmental procurement, which offered greater opportunity for enterprises carrying out business relating to the industrial property development and operation. With the comprehensive consultation service and the construction consultation service experience in various governmental projects, namely Wuhan Biolake and Wuhan Future Science Town, the Group is working wholeheartedly in the area of governmental procurement service in order to seek for a breakthrough in the income size and model.

Meanwhile, through the integration and optimization of the industry chain resource in design institutions and construction subsidiaries within the Group, we provide the government, institutions and related corporations with a comprehensive EPC integrated design and construction service from design, tender and procurement to construction.

The Group provided comprehensive consultation services and agent construction service for the Institute of New Energy in Wuhan Future Science Town, which was credited with the highest standard "3 Star Green Construction Recognition"* (綠色三星建築認證) among the China Green Building Label in 2016.

2. Project Management and Consultation Services

During 2016, the revenue of the consultation and management service of the Group was RMB13.4 million. After a year of establishment and integration, the consultation and management department of the Group has adopted the most suitable business and marketing approach. Successful cases of our service were well received by related government organizations, institutes and enterprises under cooperation.

During 2016, the Group provided consultation and management service to government organizations and corporate enterprise in places including Tianjin Binhai New Area, Luoyang Hi Tech Development Zone, Yichuan County in Luoyang, Hefei Binhu New Area and Yueqing City in Wenzhou. The total amount of the service contracts was RMB11.9 million. Among which, we entered into consultation and management service agreements for nine projects in six cities covering Tianjin, Hefei, Luoyang, Wuhan and Wenzhou. The business scope includes sections such as preliminary industrial positioning, project planning, design and business solicitation. It established a good foundation for the Group's further advancement in extended businesses such as park development and construction service.

III. INDUSTRIAL PARK OPERATION SERVICES

During 2016, the revenue of the park operation service of the Group was RMB371.3 million, representing an increase of 50.2% as compared to the same period of 2015.

The Group provides a variety of integrated operational service to enterprises stationed in our industrial parks, including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, innovation and investment service, real estate marketing and agency, group catering, hotel, human resources and training for parks. In terms of composition, the major income sources of the park operational services are property management service and district heating and cooling service, which accounted for 69.0% and 14.5% respectively.

1. Property Management Service

During 2016, the revenue from property management service of the Group was RMB239.5 million, representing an increase of 50.5% as compared to the same period of 2015. Among which, income from property management service provided to industrial park projects accounted for 8.2% and income from property management service providing to projects excluding the Group's projects accounted for 48.5%. Our clients are GLP, China Mobile and other related government organizations. During 2016, the area of the property management service reached 17,000,000 sq.m., of which the area of corporate customer services accounted for 53.9%.

During 2016, by leveraging on the Internet-of-Things technology, BIM 3-D visualization technology and mobile Internet technology, the Group carried out a reform in respect of the existing property management model, which enabled the Group to substantially cut down the staff costs and improve its management efficiency as well as customers' satisfaction.

By the integrated application of sensors, Internet-of-Things, operation & management software and platforms, the Group has initially established its own management model applicable to intelligent business parks. Taking into account the potential booming prospect of this efficient and visualizable management model and a strong demand from customers, the Group plans to promote this management model in the coming three years and operating income from this business segment will then experience a rapid growth.

2. District Heating and Cooling Service

During 2016, the income of the district heating and cooling supply service (DHC) of the Group was RMB53.7 million. Energy saving and environmental protection are national strategies having significant bearing on the livelihood of general public. The Group owns 28 patents relating to energy saving, including the patent for self-developed energy saving and control system. Our DHC energy saving and environmental protection technology, system integration and operation and management capability are of the leading positions in the market. Currently, our business is carried out mainly in Wuhan and Hefei, and we will speed up our pace in implementing the transformation of the DHC energy service business from an endogenous approach to a market-oriented approach. Development will be accelerated by adopting a variety of measures such as autonomous investment and operation, agent construction operation and management consultation. With the advantages generated from the strategic cooperation with competitive enterprises within the same district, we strive to occupy the domestic DHC market swiftly and become the leader in China's DHC market.

3. Smart Management Service for Facility and Equipment

During 2016, in order to foster a more favourable and professional management capability for facility and equipment, the Group established Shenzhen Domainblue Smart Technology Company Limited* (深圳藍域智能科技有限公司), with operating income of RMB3.4 million. The Group adopted a software-oriented development strategy featuring the characteristic of the Internet era, and in 2016, we focused on software research and development. In 2016, the Group introduced Archibus software from the USA and carried out secondary development based on this foundation. We are the first to complete the ovuifms smart management system for facility and equipment combining BIM technology, Narrow Band Internet-of-Things technology and mobile Internet technology. Ovuifms possesses the 3-D visualization function for the management of construction facility and equipment. Since June 2016, the system has been tested in several projects of the Group and achieved a good outcome. In 2017, the Group plans to utilize the developed software platform to expand its market and focus on property companies and developers, including software cloud service, output management and equity cooperation. At the same time, drawing on the support from software research and development capability, we are able to take a gradual step into operation and management of infrastructure in smart city.

4. Incubator and Office Sharing Service

During 2016, the Group established a controlling subsidiary — Wuhan OVU Technology Co., Ltd., which was responsible for the operation of OVU Maker Star. During 2016, the operating income was RMB7.6 million.

As at 31 December 2016, there were 13 OVU Maker Star sites distributing in seven cities across the country, including Wuhan, Qingdao, Hefei, Xi'an, Beihai, Ezhou and Huangshi, creating up to 5,900 jobs. Among these sites, Wuhan Creative Capital* (武漢創意天地) outlet, Qingdao International Marine Information Harbour* (青島國際海洋信息港) outlet and Huangshi Station* (黃石站點) were rated as incubators with national standard. Among the 13 OVU Maker Star sites, seven of which are in Wuhan, creating 3,200 jobs, and the average leasing rate thereof was above 75%. Accumulatively, there were 236 teams using our services, among which, seven teams entered the series A round, while 10 teams entered the angel round and eight team entered the seed round.

During 2016, the OVU Maker Star online platform mobile application was established and it was downloaded for over 20,000 times with 15,000 registered members. The activity rate is more than 20%.

5. Innovation and Investment Service

During 2016, Wuhan Lingdu Entrepreneurship Investment and Management Co., Ltd.* (武漢零度創業投資管理有限公司) ("**Lingdu Capital**"), a controlling subsidiary of the Group, took full charge of operating the Group's OVU Fund, and was responsible for investment issues relating to high-tech industries and high-return innovation and entrepreneurship projects. Leveraging on the industrial background and abundant capital market resources of China Electronics Group and the Group, Lingdu Capital develops rapidly with its scale of assets management already reaching RMB1 billion; it possesses high-quality professional teams in areas such as investment, financing, fund management and project investment and its core team has extensive experience in entrepreneurship, corporate operation, risk control and investment management as well as deep knowledge of domestic and overseas markets. During 2016, Lingdu Capital, together with relevant government and other investment institutions, initiated to establish certain funds with a total scale exceeding RMB1.5 billion. During 2016, the Group sponsored and organized the Sino-US entrepreneurship competition named "Yizhidu Show* (億隻獨SHOW)" to gather resources for its entrepreneurship incubation service and to extensively enhance its market position and reputation in entrepreneurship incubation service market. As at 2016, the Group has entered into investment agreements with 15 companies involving a total amount of RMB250 million. Such companies include Wuhan Beida High-Technology Software Company Limited (a company listed on the National

Equities Exchange and Quotations), Wuhan Xun Niu Technology Company Limited (武漢迅牛科技有限公司) and Wuhan Qiu Zhi Dao Technology Company Limited (武漢球之道科技有限公司).

6. Other Industrial Park Operation Services

In addition, the Group also provided more than ten types of industrial park operation related services, including human resources and training, park financing, group catering, apartment leasing, hotels, real estate agency, recreation and entertainment. It also offers collective household register services and business and commercial registration service, as well as organizing activities for parks, such as blind dates and social parties. These services were all highly praised by the enterprise residents and their staff, helping the Group to strengthen its customers' loyalty.

IV. INDUSTRIAL INVESTMENT

During 2016, the Group contributed to the establishment of Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) ("**Huada Beidou**") and made additional strategic investments in Wuhan Easylinkin Technology Co., Ltd. ("**Easylinkin Technology**"), with an aim to build a solid foundation in industrial technology for the Group to serve more customers in the sector of Internet-of-Things and smart city in the future.

Huada Beidou is mainly engaged in the design, integration, production, testing, sales and related business of chips, algorithm, module and end products. Navigation and positioning chips of Huada Beidou, which adopted the integrated RF baseband design, is the first of its kind in China which ranked in the top 10 of an international ranking for professional navigation and positioning chips. Meanwhile, it is credited with several awards issued by the domestic integrated circuit industry and navigation and positioning industry. With the experience and successful cases accumulated in large-scale integrated circuit design, Huada Beidou has established a sound foundation for GPS/BD navigation chips, especially in its baseband and RF design, research on its algorithms, and commercialization solutions. The self-designed GPS/BD multi-channel satellite navigation chip is outstanding in its sensitivity and integration. With the characteristic of its secondary development, it can be utilized widely in fields such as vehicle navigation, position perception and accurate time service.

Easylinkin Technology is an operator which focuses on providing network for Internet-of-Things. Under the background of Internet-of-Everything, the epochal network of Easylinkin Technology, with its low consumption and long distance capability, was adopted by more than ten industries and 110 projects covering Internet-of-Things in parks, security, energy and household sectors. Driven by the momentum from Internet-of-Things and smart city, Easylinkin Technology will experience a sound development and profit growth.

PROSPECT FOR 2017

Market Environment

We expect that economic recovery associated with political turbulence will continue to be the keynote of global economic development in 2017. Many institutions predicted that China's economy will reach mid-term bottom in 2017 and realize a soft landing in economic growth and finance risks. These institutions concurred with the Group that China is or will progress towards a better direction after carrying out continuous structural reform. The continuous launch of "13th Five-Year" Plans of various industries and areas and the completion of top-level design of Made in China 2025 Strategy set a clear direction for the structural adjustment of China's economy. The robust growth and clustering of new enterprises of real economy will drive up the demand on carriers in industrial parks. The introduction of various guidance documents targeting at the development of industrial new zones and industrial parks, including Circular No.7 on the Reform of Development Zone, Development of Small Villages with Distinguishing Features and the Encouragement of PPP Model also offer extensive room and platform for expanding the Group's business of development and operation of themed industrial parks. After going through the period of new business development and profound business structural adjustment, CEOVU will enter a fast track of business development in 2017.

Strategies of the Group

Fully Integrate into CEC and Effectively Integrate Industry Resources

As a key state-owned enterprise under the management of the central government, China Electronics Information Industrial Parks Company Limited* (中國電子信息產業園有限公司) and its subsidiaries ("**China Electronics Group**") is the largest state-owned IT conglomerate corporation in China. In particular, it occupies a crucial strategic position in the national information security industry in China. In addition to the demand for development and operation of industrial parks resulting from an expansion of production capacity of industrial enterprises in integrated circuit, software design and other related fields under China Electronics Group, the industry and social resources which can be attracted, gathered and driven from the group are solid and tremendous. As the sole development and operation enterprise for industrial park platform of China Electronics Group, the Group is able to leverage on the expertise accumulated in the past to integrate relevant industrial resources within the system with creativity and broaden the scope of our business with a comprehensive development approach, such as primary and secondary land development, or mixed development of industry carrier and residence in industrial parks. Chengdu Xin Gu will be a pilot of the Group to develop its business with a comprehensive approach in the next five years and we believe that this model will generate steady cash flow and a sustainable rapid growth in development business.

Adhere to a Balanced Light-and-Heavy Business Development Strategy

China is currently in an in-depth adjustment period for its industrial structure. All walks of life are facing unprecedented changes and challenges. Our business model and business development strategy also need constant adaptive adjustments. The foundation for our business transformation is about how to turn our customers into the users of the platforms under our services. Therefore, in 2017, we will uphold a balanced light-and-heavy assets strategy, not only focusing on investment and self-development of "heavy assets" in high-quality cities and high-quality lands in a timely manner, but also endeavoring to build our capability of "light assets" in consultation and management segment and business operation management of the Group, so as to achieve a rapid growth in operating income, a steady increase in profit margin, and a continuous optimization of development model for the Group.

Focusing on Four Main Industrial Themes and Penetrating Swiftly into Core Cities to Achieve Broader Business Deployment

Based on the judgment of the Group on the industrial development for the upcoming years and the accumulated and integrated industry resources in related industries, upon negotiations with various local governments in 2016, our industrial themes of development business will focus on four categories, namely healthcare big data, integrated circuits, civil-military integration and smart manufacturing. In 2017, the Group is expected to introduce new industrial park projects in city clusters in the upper and middle reaches of Yangtze River and core cities in Pearl River Delta and Beijing-Tianjin-Hebei Region.

Innovative Financing Model, Implementation of Expansive Financial Policy and Building Financial Service System in Parks

Based on the Group's sound business capability and good credit history in 2016, Wuhan Optics Valley Union Group Company Limited ("**Wuhan Optics Union**") (formerly known as Wuhan Optics Valley Union Company Limited), the domestic management platform of the Company, was credited with "AA" credit rating by three rating agencies in the PRC. In 2017, the Group will strive for breakthroughs in scaled financing and financing innovation. We will support the development of the Group and the development of business operations through a variety of financing. In addition, we will recommend the core enterprises stationed in the park to look into mutual insurance model, integration of innovation and investment and financial service, in order to further improve the operation service system in parks with a combined "investment and loan insurance" model, thereby enhancing the financial services of the Group.

Financial Review

Revenue

The revenue of the Group is generated from the income from industrial park development business, construction and management service and industrial park operation service. During the year ended 31 December 2016, the revenue of the Group was RMB2,594.7 million, increased by RMB690.9 million from RMB1,903.8 million during the year ended 31 December 2015. In 2016, the revenue was mainly attributable to the sales of the Group's properties.

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

	Years ended 31 December			
	2016		2015	
	Revenue	**% of total**	Revenue	% of total
	RMB'000		*RMB'000*	
Industrial Park Development	**2,053,945**		1,573,791	
Sales of Industrial Park Properties	**1,463,163**	**56.4**	843,867	44.3
Sales of Ancillary Residential Properties	**507,011**	**19.5**	689,070	36.2
Self-owned Park Properties Leasing	**83,771**	**3.3**	40,854	2.1
Construction and Management Services	**169,468**	**6.5**	82,801	4.4
Industrial Park Operation Services	**371,288**		247,248	
Property Management Service	**239,478**	**9.2**	159,143	8.4
District Heating and Cooling Service	**53,668**	**2.1**	47,683	2.5
Others	**78,142**	**3.0**	40,422	2.1
Total	**2,594,701**	**100.0**	1,903,840	100.0

Industrial Park Development

In 2016, the revenue of the industrial park development business of the Group was RMB2,053.9 million, with a growth of 30.5% as compared to 2015. Among which, the sales income from industrial park properties was RMB1,463.1 million, representing a growth of 73.4% with a booked sales area of 248,000 sq.m., representing an increase of 65.6% as compared to the same period last year, which is mainly attributable to the sales of Hefei Financial Habour Project in 2016. Ancillary residential buildings achieved a sales income of RMB507.0 million. The income slightly dropped compared to last year mainly due to the decrease in area of booked income, while the unit price increased by 12.8% as compared to last year, which was mainly attributable to the huge demand in the Wuhan housing market in 2016. Industrial park leasing income was RMB83.8 million, representing a growth of 105.0%, with a leasing area of 397,000 sq.m.. The occupancy rate was over 80.0%.

Construction and Management Services

During 2016, the revenue of the construction and management service of the Group's park was RMB169.5 million, representing an increase of 104.7% as compared to the same period of 2015. It is mainly attributable to the income from a subsidiary of the Group, China Electronics Wenzhou Industrial Park Development Co., Ltd., which provided external construction and management service.

Industrial Park Operation Services

During 2016, the revenue of the park operation service was RMB371.3 million, representing an increase of 50.2% as compared to the same period of 2015. The Group provides a variety of integrated operation service to enterprises stationed in our industrial park, including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, innovation and investment service, real estate marketing and agency, group catering, hotel, human resource and training for parks. The growth in the income from industrial park operation service is mainly attributable to the increase in area of property management service provided by the Group, with a growth rate of 60.9%.

Cost of Sales

Overview

Cost of sales primarily consisted of (i) cost of properties sold in respect of the Group's industrial park development business (mainly includes land acquisition costs, construction costs, capitalized interest and other costs for fair value adjustment in relation to acquisition of project companies), (ii) cost of construction services (mainly includes construction costs for decoration and improvement services provided by Wuhan Lido Technology Co., Ltd.), and (iii) cost of industrial park operation services.

During the year, cost of sales of the Group increased by RMB471.3 million from RMB1,311.8 million for the year ended 31 December 2015 to RMB1,783.1 million for the year ended 31 December 2016. For the years ended 31 December 2015 and 2016, cost of sales of the Group accounted for both approximately 69.0% of the Group's revenue.

Cost of Industrial Park Development Business

Cost of industrial park development business consisted primarily of costs incurred directly for the Group's property development activities, including land acquisition costs, construction costs, capitalized interest and other costs for fair value adjustment in relation to acquisition of project companies.

During the year, cost of properties sold increased by RMB298.9 million from RMB1,063.0 million for the year ended 31 December 2015 to RMB1,361.9 million for the year ended 31 December 2016, primarily due to an overall increase in land costs, development costs and finance costs. For the years ended 31 December 2015 and 2016, cost of properties sold of the Group accounted for 81.0% and 68.5% of its total cost of sales, respectively.

Gross Profit and Gross Margin

As a result of the foregoing, overall gross profit of the Group increased by RMB219.6 million, from RMB592.0 million in 2015 to RMB811.6 million in 2016. Overall gross profit margin was 31.3%, increased by 0.2 percentage points as compared to 31.1% of last year.

Other Income and Gains — Net

Other income and gains of the Group increased by RMB186.7 million from RMB27.5 million in 2015 to RMB214.2 million in 2016, primary due to (i) the gains arising from the disposal of equity interests in two subsidiaries of the Group, namely Wuhan Financial Harbour Development Co., Ltd. ("**Financial Harbour**") and Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. ("**Technology Park**"); (ii) the government subsidies received from several local government authorities increased by RMB57.7 million, from RMB28.4 million in 2015 to RMB86.1 million in 2016.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising and promotional expenses, sales and marketing staff cost, travel and communication expenses, office administration expenses, depreciation expenses and others.

During the year, selling and distribution expenses of the Group increased by RMB20.4 million from RMB64.1 million in 2015 to RMB84.5 million in 2016, primarily due to an increase in advertising and promotional expenses as the Group conducted more selling, marketing and advertising activities. For the years ended 31 December 2015 and 2016, selling and distribution expenses of the Group accounted for approximately 3.4% and 3.3% of the Group's revenue, respectively.

Administrative Expenses

Administrative expenses primarily consisted of administrative staff costs, office administration expenses, travelling expenses, meeting and communication expenses, other indirect taxes, depreciation and amortization expenses, listing expenses, professional fees, and others.

During the year, administrative expenses of the Group increased by RMB84.9 million from RMB167.1 million in 2015 to RMB252.0 million in 2016, primarily due to the expansion in the scale of operation of the Group after merging with CEC Technology and the increase in staff costs as a result of increase in administrative staff. For the years ended 31 December 2015 and 2016, administrative expenses of the Group accounted for approximately 8.8% and 9.7% of the Group's revenue, respectively.

Fair Value Gains on Investment Properties

Fair value gains on the Group's investment properties decreased by RMB166.0 million from RMB345.6 million in 2015 to RMB179.6 million in 2016, primarily due to the fact that the area of investment properties newly added this year is smaller than that of previous year.

For the years ended 31 December 2015 and 2016, the fair value gains on investment properties contributed to 46.2% and 23.6% of the Group's profit before income tax, respectively. The decreased weighting of fair value gains in the profit for the year was mainly attributable to an increase in profit from core business and a decrease in the gains from changes in fair value.

Finance Income

During the year, finance income of the Group increased by RMB12.0 million from RMB34.8 million in 2015 to RMB46.8 million in 2016, primarily due to an increase of interest income from an entrusted loan to an associate.

Finance Costs

During the year, finance costs of the Group increased by RMB105.6 million from RMB12.5 million in 2015 to RMB118.1 million in 2016, primarily due to the fact that certain park development projects have completed and the relevant interest expense ceased for capitalisation in 2016.

Share of Losses of Associates

The share of losses of associates of the Group increased by RMB36.4 million from RMB0.6 million for the year ended 31 December 2015 to RMB37.0 million for the year ended 31 December 2016, primarily due to the disposal by Hainan Resort Software Community Investment and Development Co., Ltd., an associate of the Group, of 50% equity interest in its subsidiary due to stressed cash flow at a price lower than the acquisition cost of the Group's reorganization.

Share of Profits of Joint Ventures

The Group had a share of profits of joint ventures of RMB0.4 million for the year ended 31 December 2016, which primarily consisted of the Group's share of profit of Wuhan Mason Property Co., Ltd. ("**Wuhan Mason**").

Income Tax Expense

During the year, income tax expense of the Group increased by RMB48.1 million from RMB243.4 million in 2015 to RMB291.5 million, which was primarily due to: (i) an increase in PRC land appreciation tax expense of RMB44.6 million; (ii) an increase in PRC corporate income tax expense of RMB30.0 million; and (iii) a decrease in deferred tax expense of RMB26.5 million. Effective tax rates of the Group were 32.5% and 38.3% for the years of 2015 and 2016, respectively.

Profit Attributable to Owners of the Company and Core Net Profit

As a result of the foregoing, during the year, the profit attributable to owners of the Company decreased by RMB68.0 million from RMB499.9 million in 2015 to RMB431.9 million in 2016. However, after deduction of the post-tax fair value gains on investment properties, the core net profit in 2016 was approximately RMB334.8 million, representing an increase of 36.5% compared to the RMB245.3 million of core net profit in 2015.

Basic Earnings Per Share

The basic earnings per share decreased from RMB12.5 cents in 2015 to RMB7.18 cents in 2016, which was mainly attributable to the significant increase in the weighted average number of ordinary shares of the Company after the completion of reorganisation and placing of the Group in 2016.

Financial Position

Properties under Development

The carrying amount of properties under development of the Group decreased by RMB960.3 million from RMB2,443.6 million as at 31 December 2015 to RMB1,483.3 million as at 31 December 2016, primarily due to the transfer of the Group's properties under development to completed properties held for sale, including Hefei Financial Harbour (Phase I), Creative Capital (Phase III & IV) and Ezhou OVU Science and Technology City (Phase I).

Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the Group increased by RMB618.3 million from RMB2,317.3 million as at 31 December 2015 to RMB2,935.6 million as at 31 December 2016, primarily due to an increase in completed projects of the Group during the year.

Trade and Other Receivables

The Group's trade and other receivables increased by RMB1,054.6 million from RMB610.4 million as at 31 December 2015 to RMB1,665.0 million as at 31 December 2016, primarily due to an increase in trade receivables from sale of properties. In accordance with the terms of the relevant sale and purchase agreements, the model of recovery from sale of properties can be classified into bank mortgage loans, one-off payment or installment payments.

Trade and Other Payables

The Group's trade and other payables decreased by RMB364.5 million from RMB2,075.7 million as at 31 December 2015 to RMB1,711.2 million as at 31 December 2016, primarily due to the settlement of certain construction payables made by the Group in 2016.

Liquidity and Capital Resources

The Group primarily uses cash to pay for construction costs, land costs, infrastructure costs and finance costs incurred in connection with its park developments, service its indebtedness, and fund its working capital and normal recurring expenses. The Group primarily has cash generated through pre-sale and sale of its properties, proceeds from bank loans and other borrowings and proceeds from the Company's placing.

In 2016, the Group's net cash inflow from operating activities was RMB887.1 million, which was mainly cash inflow from sale of projects by the Group, such as Creative Capital, Lido 2046, OVU Science and Technology City (Ezhou) project, Qingdao OVU International Marine Information Harbour and Hefei Financial Harbour.

In 2016, the Group's net cash inflow from financing activities was RMB12.7 million. In 2016, cash inflow from financing activities mainly came from the proceeds from the Company's placing, partially offset by the repayment of bank borrowings, corporate bonds and other borrowings. Cash inflow from financing activities was also related to proceeds from placing, amounting to RMB1,991.9 million. Cash outflow from financing activities in 2016 was mainly related to repayment of entrusted loan of China Electronics Corporation Holdings Company Limited ("**CECH**"), bank and other loans, interest and other borrowing costs and dividend paid.

Key Financial Ratios

Current Ratio

Current ratio of the Group, representing total current assets divided by total current liabilities, increased from 1.78 as at 31 December 2015 to 2.24 as at 31 December 2016, mainly attributable to the increase in cash due to the Company's placing as well as the increase in revenue of the Group during the year, which in turn resulted in an increase in the trade and other receivables and bank deposits.

Net Gearing Ratio

Net gearing ratio of the Group, representing the ratio of interest bearing debts deducting total cash over total equity and multiplied by 100%, decreased from 44.8% as at 31 December 2015 to 18.9% as at 31 December 2016, primarily because of the increase in owners' equity upon reorganization and placing of the Group.

Indebtedness

The Group's total outstanding bank loans and other borrowings decreased by RMB145.4 million from RMB3,375.3 million as at 31 December 2015 to RMB3,229.9 million as at 31 December 2016.

As at 31 December 2016, unutilized banking facilities amounted to RMB290.3 million and unutilized other borrowings amounted to RMB3,500.0 million.

Contingent Liabilities

The Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of the Group's pre-sold properties. As at 31 December 2015 and 31 December 2016, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB471.8 million and RMB884.6 million, respectively.

Net Current Assets

Current assets of the Group consisted primarily of properties under development, completed properties held for sale, trade and other receivables, inventories and contracted work-in progress, and cash and cash equivalents. Total current assets of the Group were approximately RMB8,023.0 million as at 31 December 2016, as compared to RMB7,258.0 million as at 31 December 2015. As at 31 December 2015 and 31 December 2016, aggregate cash denominates in RMB of the Group amounted to approximately RMB2,021.5 million and RMB1,051.8 million, respectively. The Group primarily financed its expenditures through internally-generated cash flows, being primarily cash generated through pre-sale and sale of its properties and cash from bank loans and other borrowings.

Current liabilities of the Group consist primarily of trade and other payables, loans and borrowings and current tax liabilities. Trade and other payables represent costs related to its development activities. Total current liabilities of the Group were approximately RMB3,582.2 million as at 31 December 2016, as compared to RMB4,081.2 million as at 31 December 2015.

As at 31 December 2016, the Group had net current assets of approximately RMB4,440.8 million as compared to RMB3,176.8 million as at 31 December 2015. The increase in net current assets of the Group was primarily attributable to the increase in cash due to the Company's placing and the increase in trade receivables and other receivables arising from the increase in sales.

Capital Expenditures and Capital Commitments

Capital expenditure of the Group decreased by RMB134.2 million from RMB279.2 million in 2015 to RMB145.0 million in 2016. Capital expenditures of the Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 31 December 2015 and 31 December 2016, the Group's outstanding balances of its commitments related to property development expenditure and investment commitment were RMB358.1 million and RMB807.4 million, respectively.

The Group estimates that its capital expenditures and capital commitments will further increase as its business and operation continue to expand. The Group anticipates that these capital expenditures and capital commitments will be financed primarily by bank borrowings and cash flow generated from operating activities. If necessary, the Group may raise additional funds on terms that are acceptable to it.

Material Acquisitions

On 14 December 2015, CECH (as vendor) entered into an equity interest transfer agreement (the "**Equity Interest Transfer Agreement**") with the Company and an indirect wholly-owned subsidiary of the Company, namely China Electronics Optics Valley Union Company Limited (formerly known as AAA Finance & Investment Limited) (as purchasers). Pursuant to the Equity Interest Transfer Agreement, CECH had conditionally agreed to sell, and the Company and China Electronics Optics Valley Union Company Limited had conditionally agreed to acquire, 100% of the equity interest in

CEC Technology (a then wholly-owned subsidiary of CECH). The consideration for the equity transfer pursuant to the Equity Interest Transfer Agreement (the "**Equity Transfer**") was RMB699,854,600, which was satisfied by the allotment and issue of 1,058,530,083 new Shares ("**Consideration Shares**"), credited as fully paid, at the consideration price of HK$0.8 per Consideration Share. The Consideration Shares rank equally in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares. The Consideration Shares were issued under a specific mandate approved by the independent shareholders of the Company at an extraordinary general meeting held on 16 March 2016 ("**EGM**"). The Equity Transfer completed on 30 June 2016.

On 14 December 2015, the Company and CECH entered into a subscription agreement (the "**CECH Subscription Agreement**") pursuant to which the Company had conditionally agreed to allot and issue, and CECH had conditionally agreed to subscribe in cash, 1,491,469,917 new Shares (the "**CECH Subscription Shares**"), credited as fully paid, at the subscription price of HK$0.8 per CECH Subscription Share (the "**CECH Subscription**"). The CECH Subscription Shares rank equally in all respects with Shares in issue on the date of allotment and issue of the CECH Subscription Shares. The CECH Subscription Shares were issued under the specific mandate approved by the independent shareholders of the Company at the EGM. The CECH Subscription completed on 30 June 2016.

On 14 December 2015, the Company and China Everbright Securities (HK) Limited ("**China Everbright**") (as placing agent), entered into a placing agreement (the "**Placing Agreement**") whereby China Everbright had conditionally agreed to place, on a fully underwritten basis, a total of 1,450,000,000 placing shares (the "**Placing Shares**") (failing which China Everbright would subscribe for the untaken Placing Shares) to not less than six placees at the placing price of HK$0.8 per Placing Share (the "**Placing**"). The Placing Shares were issued under the specific mandate approved by the independent shareholders of the Company at the EGM. The Placing completed on 30 June 2016.

Following the completion of the abovementioned transactions, CECH became the largest shareholder of the Company and CEC Technology became a wholly-owned subsidiary of the Company.

Material Disposals

On 17 November 2015, Wuhan Optics Valley Union Group Co., Ltd. ("**Wuhan Optics Valley Union**") (as vendor), entered into a sale and purchase agreement with Hubei Science & Technology Investment Group Co., Ltd. ("**Hubei Science & Technology Investment**") (as purchaser), for the conditional sale and purchase of its 70% equity interest in Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd., together with the loan owed by Technology Park to Wuhan Optics Valley Union, for a consideration of RMB267,310,000.

On the same day, Wuhan Optics Valley Union (as vendor) entered into another sale and purchase agreement with Hubei Science & Technology Investment (as purchaser), for the conditional sale and purchase of its 70% equity interest in Financial Harbour together with the loan owed by Financial Harbour to Wuhan Optics Valley Union, for a consideration of RMB270,122,000.

Accordingly, assets and liabilities of these companies were presented as disposal group held for sale as at 31 December 2015.

On 16 January 2016, the underlying transactions pursuant to the abovementioned sale and purchase agreements (the "**Disposals**") were approved by the independent shareholders of the Company. The Disposals were completed on 18 January 2016 and the Group has received the remaining consideration of RMB187,432,000. The Disposals resulted in a disposal gain of RMB128,559,000 and a decrease in non-controlling interests of RMB119,941,000. Following the completion of the Disposals, the Group no longer has any equity interest in Technology Park and Financial Harbour, and these companies ceased to be subsidiaries of the Company.

Significant Events After the End of the Year

On 25 January 2017, the Company and China Electronics Optics Valley Union Company Limited (the "**Vendor**") entered into an equity transfer agreement with Excellence Real Estate Group Limited* (卓越置業集團有限公司, the "**Purchaser**") and CEC Technology, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 50% of the equity interest in CEC Technology, for a consideration of RMB350 million (the "**Disposal**"). The Disposal has not been completed as at the date of this announcement.

Employees

As at 31 December 2016, the Group had 4,700 full-time employees. The employment cost of the Group was approximately RMB324.9 million for the year ended 31 December 2016. The Group enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. Remuneration of its employees includes basic salaries, allowance, bonuses and other employee benefits. The Group has implemented measures for assessing employee performance and promotion and the system of employee compensation and benefits. The remuneration packages of its employees include salaries and bonuses. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority.

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in statutory contribution pension schemes which are administered and operated by the relevant local government authorities. The Group is required to make contributions to such schemes from 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's contributions to the statutory contribution pension schemes are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in such contributions.

Pledged Assets

As at 31 December 2016, the Group had pledged certain of its assets with a total net book value of RMB3,056.6 million for the purpose of securing outstanding bank borrowings and corporate bonds, including investment properties, properties under development for sale, completed properties held for sale and property, plant and equipment and restricted cash.

Market Risks

The Group is, in the normal course of business, exposed to market risks, primarily credit, liquidity, interest rate and currency risks.

Liquidity Risk

The Group reviews its liquidity position on an ongoing basis, including expected cash flow, sale/pre-sale results of its respective property projects, maturity of loans and the progress of planned property development projects.

Interest Rate Risk

The Group is exposed to interest rate risks, primarily relating to its bank loans and other borrowings, which had an outstanding amount of RMB2,653.0 million as at 31 December 2016. The Group undertakes debt obligations to support its property development and general working capital needs. Soaring interest rates may increase the cost of its financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of its debt obligations. The Group currently does not carry out any hedging activities to manage its interest rate risk.

Foreign Exchange Risk

The Group's functional currency is Renminbi and substantially all of its revenue, expenses, cash and deposits are denominated in Renminbi. The Group's exposure to currency exchange risks arises from certain of its cash and bank balances which are denominated in Hong Kong dollar. In the event of a depreciation of the Hong Kong dollar against Renminbi, the value of its cash and bank balances in Hong Kong dollar will decline. In addition, if the Group maintains any foreign currency denominated assets or liabilities, including raising any foreign currency-denominated debts, fluctuations in Renminbi exchange rates will have an impact on the value of such assets and liabilities, thus affecting its financial condition and results of operations. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposure regularly and considers that the exposure on its foreign exchange risk is not significant.

Credit Risk

The Group is exposed to credit risk, primarily attributable to trade and other receivables. With respect to leasing income from its investment properties, we believe the Group holds sufficient deposits to cover its exposure to potential credit risk. An aging analysis of the receivables is performed on a regular basis, which the Group monitors closely to minimize any credit risk associated with these receivables. The Group has no concentration of credit risk in view of its large number of customers. The Group did not record significant bad debt losses during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE AWARD SCHEME

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

The purposes of the Share Award Scheme are (i) to recognise the contributions by certain directors, officers and/or employees and to incentivize them in order to retain them for the continual operation and development of the Group, and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme are set out in the Company's announcement dated 22 December 2016.

During 2016, the trustee appointed by the Company for the purpose of the Share Award Scheme purchased a total of 152,998,000 Shares at a total consideration of HK$122,928,380 (equivalent to RMB110,105,000) according to the Share Award Scheme. As at 31 December 2016, none of the 152,998,000 Shares has been granted.

CORPORATE GOVERNANCE

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on Stock Exchange as the basis of the Company's corporate governance practices. The CG Code has been applicable to the Company with effect from the date of listing of the Company. During the year, the Company has complied with all applicable code provisions of the CG Code, with the exception that the roles of Chairman of the Board and President of the Group are both vested in Mr. Huang Liping.

Pursuant to code provision A.2.1 of the CG Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and president (equivalent to the chairman and chief executive as stated in the CG Code) and Mr. Huang Liping currently performs these two roles. The Board believes that vesting the roles of both chairman and president in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of the Group, the Board will continue to review and consider the separation of the duties of the chairman and president if and when appropriate.

Mr. Huang Liping, as the chairman, is responsible for ensuring that the Directors will receive adequate information in a timely manner, that good corporate governance practices are established and followed, that all Directors make full and active contribution to the Board's affairs. Mr. Huang Liping also takes the lead to ensure that the Board acts in the best interests of the Company and that there is effective communication with the Shareholders and that their views are communicated to the Board.

Save as disclosed above, during the year, the Company has complied with all applicable principles and code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company, after making specific inquiries to all Directors, confirmed that all of the Directors have complied with the required standards in the Model Code during the year.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes threreto for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Accounting Standards Board and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

REVIEW OF THE ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code, and comprises three members, namely Mr. Leung Man Kit (independent non-executive Director), Ms. Wang Qiuju (non-executive Director) and Mr. Qi Min (independent non-executive Director). The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited annual results of the Group for the year ended 31 December 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 24 May 2017. A notice convening the AGM will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board proposed to declare a final dividend of HK$2.0 cents (equivalent to approximately RMB1.8 cents) per share of the Company, approximately HK$160.0 million in aggregate (equivalent to approximately RMB143.1 million) for the year ended 31 December 2016, which will be payable to shareholders of the Company whose names appear on the register of members of the Company on 9 June 2016, subject to approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend is expected to be paid to the shareholders of the Company on or before 21 June 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 19 May 2017 to 24 May 2017 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 18 May 2017.

For the purpose of determining the entitlement of shareholders of the Company to the final dividend, the register of members of the Company will also be closed from 8 June 2017 to 9 June 2017 (both days inclusive), during such period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted by the Company at the forthcoming annual general meeting, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 7 June 2017.

PUBLICATION OF ANNUAL RESULTS AND 2016 ANNUAL REPORT

This announcement is published on the websites of the Company (http://www.ceovu.com) and the Stock Exchange (http://www.hkexnews.hk). The 2016 Annual Report will be despatched to the Shareholders and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

By order of the Board
China Electronics Optics Valley Union Holding Company Limited
Huang Liping
Chairman

Hong Kong

23 March 2017

As at the date of this announcement, the directors of the Company are Mr. Huang Liping and Mr. Hu Bin as executive Directors; Mr. Lu Jun, Ms. Wang Qiuju, Mr. Xiang Qunxiong and Mr. Zhang Jie as non-executive Directors; Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin as independent non-executive Directors.

* *For identification purpose only*