中电光谷
CEC OPTICS VALLEY

中電光谷聯合控股有限公司
China Electronics Optics Valley Union Holding Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 798

INTERIM REPORT 2017



Contents

Corporate Information

COMPANY NAME

China Electronics Optics Valley Union Holding Company Limited

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

798

STOCK NAME

CEOVU

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Liping *(Chairman and President)*
Mr. Hu Bin *(Executive President)*

Non-executive Directors

Mr. Lu Jun
Mr. Zhang Jie
Ms. Wang Qiuju
Mr. Xiang Qunxiong

Independent Non-executive Directors

Mr. Qi Min
Mr. Leung Man Kit
Ms. Zhang Shuqin

JOINT COMPANY SECRETARIES

Ms. Zhang Xuelian
Ms. Leung Ching Ching

AUTHORIZED REPRESENTATIVES

Mr. Huang Liping
Ms. Leung Ching Ching

AUDIT COMMITTEE

Mr. Leung Man Kit *(Chairman)*
Ms. Wang Qiuju
Mr. Qi Min

REMUNERATION COMMITTEE

Mr. Qi Min *(Chairman)*
Mr. Hu Bin
Ms. Zhang Shuqin
Mr. Leung Man Kit

NOMINATION COMMITTEE

Mr. Huang Liping *(Chairman)*
Mr. Qi Min
Ms. Zhang Shuqin

FINANCIAL CONTROL COMMITTEE

Mr. Huang Liping
Mr. Wang Yuancheng
Ms. Huang Min

REGISTERED OFFICE

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Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Chaoyang District
Beijing, China

AUDITOR

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Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Clifton House
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Cayman Islands

HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKS

Hankou Bank
Bank of Communications
Industrial and Commercial Bank of China

COMPANY WEBSITE

www.ceovu.com

Financial Summary

The summary of the unaudited results and assets and liabilities of the Group for the six months ended 30 June 2017 is as follows:

	For the six months ended 30 June		
	2017	2016	Change
	RMB'000	RMB'000	%
Results			
Revenue from continuing operations	**1,304,230**	780,743	67.0%
Gross profit	**485,198**	141,475	243.0%
Profit before income tax	**429,062**	164,418	161.0%
Profit attributable to owners of the Company	**186,586**	121,607	53.4%
Profit attributable to non-controlling interests	**31,297**	3,897	703.1%
Profit for the Period	**217,883**	125,504	73.6%

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000	Change %
Assets and liabilities			
Non-current assets	**3,794,235**	3,555,100	6.7%
Current assets	**7,837,474**	8,023,019	-2.4%
Current liabilities	**3,598,781**	3,582,159	0.5%
Net current assets	**4,238,693**	4,440,860	-4.6%
Total assets less current liabilities	**8,032,928**	7,995,960	0.5%
Total equity	**6,290,536**	6,082,916	3.4%
Non-current liabilities	**1,742,392**	1,913,044	-8.9%
Total equity and non-current liabilities	**8,032,928**	7,995,960	0.5%

Chairman's Statement

Continuous innovation is a unanimous choice of global major economies to deal with sluggish economic growth. In the first half of 2017, Trump's policies, quantitative easing of Japan, and the Industry 4.0 in Germany have shown positive effects. The economy of the PRC has improved as well.

In the first half of 2017, various indicators of the PRC, such as growth rates of GDP, investment, import and export have increased, and the value added by industrial production and the profitability of industrial enterprises remained stable. Many global institutions are basically optimistic about the future economic development of the PRC, as it represents one of the hopes for global economic growth, and generally predicted that the economy in the PRC would trend from higher growth to lower growth in 2017, with short-term growth slowdown but steady and positive outlook in the long run.

Industries are the cores of a city's economy. The Fourth Industrial Revolution that features new technologies such as artificial intelligence, Internet of Things, and Internet technologies will not only upgrade the traditional manufacturing industry, but also overturn and reshape existing manufacturing and consumption patterns. Such concept is profoundly interpreted in the Industry 4.0 in Germany, reindustrialization in the US, and the "Made in China 2025" plan. For some time in the future, industries of new generation information technology, equipment manufacturing, industrial Internet, and big data application will witness explosive growth. Such growth will bring unprecedented opportunities as those industries give rise to the demands for physical space and tailor-made services. In addition, in the first half of 2017, the PRC government has also issued a number of documents related to the reform and innovation of development zones and the standardization of characteristic town construction, expressively emphasizing that it is important to develop new zones by means of establishing industrial parks based on industries. We are in the best of times.

As for the park development business segment, the Chip Valley and "OVU Science and Technology City" industrial parks, which target customers of the intelligent manufacturing industry, performed well in terms of revenue and potential customer identification in the first half of 2017. Revenue of the Ezhou OVU Science and Technology City increased by 343.5% as compared to the same period last year, and the construction and investment introduction of the Chengdu Chip Valley project progressed steadily. The Hefei Financial Harbour and the Wuhan Creative Capital projects, which focus on customers of new generation information technology industry, also performed well as compared to the same period last year in terms of revenue. Meanwhile, due to the demonstration effect of the existing projects, we are invited to develop strategic cooperation with the Guangdong-Hong Kong-Macao Greater Bay Area, Hangzhou Greater Bay Area, and local governments of core cities in central and western China to carry out businesses of industrial park development, intelligent city construction, and development of big data center for healthcare.

As to the construction and management service segment, we entered into strategic cooperation agreements with government authorities of Hefei Binhu New Area, Wuhan East Lake Hi Tech Development Zone, Yan'an Hi Tech Development Zone, Changchun Beihu Scientific and Technological Development Zone, Anqing Hi Tech Development Zone, Chongqing Shapingba District, and Dongying Economic Development Zone in the first half of 2017, pursuant to which we will provide advisory and planning services for such local governments, development zones, and relevant platform companies. As of 30 June 2017, we have rendered advisory and planning services to 10 government authorities and institutions nationwide, leveraging on our expertise in development and operation of industrial parks and our good reputations.

With respect to our park operation service segment, the "1+4" platforms (i.e. intelligent park platform, co-working cloud platform, cloud platform for facility and device management, cloud platform for wide area Internet of Things, and cloud platform for energy services) have commenced operation in around 10 cities. Among them, there are approximately 15,000 active users using the co-working cloud platforms. Business of the wide area Internet of Things and intelligent parks have also rolled out in cities including Wuhan, Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Changsha and Huangshi. There are 20 "OVU Maker Star" sites operating in Wuhan, Qingdao, Heifei, Xi'an, Huangshi, Ezhou with an area of 200,000 square meters, serving 500 teams in total so far.

In the first half of 2017, we established strategic cooperation partnership with the Excellence Group and attempted to develop and operate comprehensive areas of cities in new ways by drawing on the complementary advantages of both companies. We have set up special funds with CICC Capital Management Co., Ltd.* (中金資本運營有限公司) to identify promising teams and projects in the US, South Korea, Hong Kong, Taiwan, and cities such as Beijing, Shanghai, Guangzhou, and Shenzhen, incubating emerging industries and connecting with more high quality resources.

It is not easy to be an excellent industrial service provider and we will keep striving forward with modesty, prudence, and optimism, with an aim to provide our customers, enterprises, and local governments with more valuable services and contribute to urban development.

ACKNOWLEDGEMENTS

Last but not least, I would like to express our sincere gratitude to the staff of the Company for their support and all shareholders for their trust. Let us look forward to a better future of the Company.

Huang Liping
Chairman

Wuhan, the PRC, 17 August 2017

REVIEW OF FINANCIAL INFORMATION

These interim financial information have not been audited but the independent auditors of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

HIGHLIGHTS OF THE FIRST HALF OF 2017

- The Group recorded revenue of RMB1,304.2 million, representing an increase of 67.0% as compared with the same period in 2016.

- For the six months ended June 2017, profits of the period of the Group amounted to RMB217.9 million, representing an increase of 73.6% as compared with the same period in 2016, among which profits attributable to owners amounted to RMB186.6 million, representing an increase of 53.4% as compared with the same period in 2016.

- The Group secured contracted sales of properties of RMB1,139.1 million, representing an increase of 14.3% as compared with the same period in 2016; and the area of contracted sales was approximately 166,000 sq.m., representing an increase of 27.4% as compared with the same period in 2016.

- For the six months ended 30 June 2017, the Group recorded gross profit margin of 37.2%, increased by 19.1 pencentage points as compared to the overall gross profit margin of 18.1% during the same period of 2016.

BUSINESS REVIEW

As of 30 June 2017, the Group, being a leading development and operation services enterprise in themed business parks in China, developed or operated various industrial parks in 15 cities, including Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Chengdu, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Tianjin, Dongying and Luoyang. The Group's business mainly consists of 4 parts: (i) industrial park development business (including sales of industrial park properties, development and sales of ancillary residential properties and lease of self-owned industrial 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, venture capital 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).

REVENUE BY BUSINESS SEGMENTS

	For the six months ended 30 June			
	2017		2016	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Industrial Park Development	**984,850**	**75.5%**	545,149	69.8%
Sales of Industrial Park Properties	**899,325**	**69.0%**	224,100	28.7%
Sales of Ancillary Residential Properties	**31,840**	**2.4%**	283,999	36.4%
Self-owned Industrial Park Properties Leasing	**53,685**	**4.1%**	37,050	4.7%
Construction and Management Services	**143,734**	**11.0%**	74,338	9.5%
Industrial Park Operation Services	**175,646**	**13.5%**	161,256	20.7%
Property Management Service	**104,902**	**8.1%**	93,806	12.0%
District Heating and Cooling Service	**14,712**	**1.1%**	13,372	1.7%
Others	**56,032**	**4.3%**	54,078	6.9%
Total	**1,304,230**	**100.0%**	780,743	100.0%

INDUSTRIAL PARK DEVELOPMENT BUSINESS

In the first half of 2017, the income from the industrial park development business of the Group was RMB984.9 million, representing a growth of 80.7% as compared to the same period of 2016. Among which, the sales income from industrial park properties was RMB899.3 million, representing a growth of 301.3%, with a booked sales area of 127,000 sq.m., representing an increase of 73.2% as compared to the same period last year, which was mainly attributable to the sales of Hefei Financial Habour Project. Ancillary residential properties achieved a slightly dropping sales income of RMB31.8 million as compared to the same period last year, which was mainly due to ancillary residential properties basically having been sold out before 2017. Self-owned industrial park properties leasing income amounted to RMB53.7 million, representing a growth of 44.9%, with a lease area of 256,000 sq.m. and occupancy rate of over 91%.

For the six months ended 30 June 2017, properties sold and delivered include:

Properties sold and delivered	City	2017 Revenue (RMB'000)	2017 GFA sold and delivered (sq.m.)	2017 Recognized average selling price (RMB per sq.m.)	2016 Revenue (RMB'000)	2016 GFA sold and delivered (sq.m.)	2016 Recognized average selling price (RMB per sq.m.)
Wuhan Optics Valley Financial Harbour (Phase II)	Wuhan	–	–	–	38,687	7,332	5,276
Wuhan Creative Capital (Phase I)	Wuhan	**289,026**	**22,837**	**12,656**	112,906	13,678	8,255
Wuhan Lido 2046	Wuhan	**31,840**	**2,609**	**12,204**	276,114	24,552	11,246
Wuhan Innocenter	Wuhan	–	–	–	3,816	587	6,505
Hefei Financial Harbour	Hefei	**473,798**	**63,032**	**7,517**	–	–	–
Qingdao OVU International Marine Information Harbour	Qingdao	**30,669**	**4,909**	**6,248**	–	–	–
Ezhou OVU Science and Technology City	Ezhou	**63,609**	**20,679**	**3,076**	14,343	5,087	2,820
Huangshi OVU Science and Technology City	Huangshi	**669**	**163**	**4,104**	3,788	895	4,232
Shenyang OVU Science and Technology City	Shenyang	**21,738**	**7,557**	**2,877**	60,683	22,516	2,695
Huanggang OVU Science and Technology City	Huanggang	**19,816**	**7,521**	**2,635**	–	–	–
Other properties	Wuhan	–	–	–	(2,238)	–	–
Total		**931,165**	**129,307**	**7,201**	508,099	74,647	6,807

Sales of Self-owned Industrial Park

In the first half of 2017, the income from self-owned industrial park development business of the Group was mainly generated from Hefei, Wuhan, Qingdao, Shenyang and Ezhou, among which, the sales income from Hefei project reached RMB473.8 million, accounting for 50.9% of the income from sales of industrial park properties; the sales income from Ezhou project reached RMB63.6 million, accounting for 6.8% of the income from sales of industrial park properties; the sales income from Shenyang project was RMB21.7 million, accounting for 2.3% of the income from sales of industrial park properties. Excluding the project in Wuhan, the proportion of sales from projects in other cities had reached 65.5%, surpassing our business in Wuhan continuously. The Group's industrial park development business has achieved satisfying performance in other major cities throughout the nation.

The Group is of the view that, during the Reporting Period, the growth in the sales income from industrial park properties is mainly attributable to the following reasons: (1) recognition from our clients as to the location, design and construction standards of the industrial park properties provided by the Group; (2) the flexible and appropriate business solicitation strategies adopted by the Group in line with the demands of our customers; and (3) construction and management services and industrial park operation services and the asset-light transition strategy are productive and widely recognized by many owners such as governments, institutions and enterprises and the market.

SUMMARY REGARDING THE SALES OF PROPERTIES

For the six months ended 30 June 2017, the details of the Group's contracted sales amount and contracted area of properties are as follows:

	Contracted amount (RMB'000)		Contracted area (sq.m.)	
City and project	2017	2016	2017	2016
Wuhan Creative Capital	288,857	188,994	25,946	20,184
Hefei Financial Harbour	512,137	255,596	61,769	35,071
Qingdao OVU International Marine Information Harbour	111,249	53,901	16,447	8,053
Qingdao Innocenter	38,582	–	6,626	–
Ezhou OVU Science and Technology City	105,354	35,324	30,604	9,869
Huangshi OVU Science and Technology City	717	4,969	163	1,068
Shenyang OVU Science and Technology City	34,675	31,298	11,517	10,556
Huanggang OVU Science and Technology City	31,249	–	10,912	–
Wuhan Lido 2046	1,788	294,073	136	23,272
Wuhan Optics Valley Financial Harbour (Phase II)	–	44,776	–	5,655
Wuhan Innocenter	–	41,584	–	5,810
CEC Xi'an Industrial Park	–	46,197	–	10,744
Other projects	14,500	–	1,822	–
Total	1,139,108	996,712	165,942	130,282

DEVELOPMENT AND PROGRESS OF INDUSTRIAL PARK PROPERTIES

During the Reporting Period, the total area of new development in industrial parks was 157,000 sq.m.. Completed construction area amounted to 57,000 sq.m. As of 30 June 2017, the total area under construction was approximately 473,000 sq.m.

Completed Area in Major Cities throughout the Nation

Completed area of the projects as of 30 June 2017:

City	Project Name	Completed area in 2017 (sq.m.)
Qingdao	Innocenter	25,700
Huanggang	Huanggang OVU Science and Technology City	31,100
Total		56,800

Land Bank

During the Reporting Period, the high quality land bank of the Group was approximately 4,773,000 sq.m., distributed in 12 cities, namely Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan) and Zhuhai. The total land bank area safeguards the sustainability of the Group's industrial park development and sales business in the upcoming five to ten years.

Land Bank Table

An overview of land bank as of 30 June 2017 is as follows:

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (sq.m)
1	Optics Valley Software Park (光谷軟件園)	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	54,425
2	Financial Harbour (Phase I) (金融港一期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
3	Financial Harbour (Phase II) (金融港二期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	32,052
4	Creative Capital (創意天地)	Wuhan	16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	272,987
5	Wuhan Innocenter (武漢研創中心)	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	203,707
6	Lido Mason (麗島美生)	Wuhan	318 Minzu Avenue, Wuhan, Hubei Province	Residential	50%	524
7	Lido 2046 (麗島2046)	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	16,930
8	Others	Wuhan	N/A	Residential	100%	14,004
9	Qingdao OVU International Marine Information Harbour (青島光谷國際海洋信息港)	Qingdao	396 Emeishan Road, Qingdao, Shandong Province	Industrial	100%	340,086
10	Qingdao Innocenter (青島研創中心)	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential/Industrial	100%	136,380
11	Qingdao Marine & Science Park (青島海洋科技園)	Qingdao	South of Changjiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	Industrial	100%	197,050
12	Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	Huanggang	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	Industrial	70%	147,813
13	Shenyang OVU Science and Technology City (瀋陽光谷聯合科技城)	Shenyang	Intersection of Sheng Jing Da Jie and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	127,408
14	Shenyang CEOVU Information Harbour (瀋陽中電光谷信息港)	Shenyang	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	109,528
15	Ezhou OVU Science and Technology City (鄂州光谷聯合科技城)	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	341,387

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (sq.m)
16	Huangshi OVU Science and Technology City (黃石聯合科技城)	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	181,789
17	Lido Top View (麗都半山華府)	Huangshi	76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	17,651
18	Hefei Financial Harbour (合肥金融港)	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	80%	462,596
19	Hainan Resort Software Community (海南生態軟件園)	Chengmai	Southern section situated 0.7km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	Industrial/Commercial/ Residential/ Science and Education	20%	901,337
20	Beihai Industrial Park (北海產業園)	Beihai	West of Beihai Avenue, South of Kefu Road, Beihai, Guangxi Province	Industrial	30%	411,992
21	Xi'an Industrial Park (西安產業園)	Xi'an	West of Caotanshi Road, North of Shangji Road, Xi'an, Shaanxi Province	Industrial	73.9%	321,695
22	Wenzhou Industrial Park (溫州產業園)	Wenzhou	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou, Zhejiang Province	Industrial	60%	399,927
23	Henqin Zhishuyun (珠海橫琴智數雲)	Zhuhai	East of Fubang Road, south of Xingsheng Third Road, west of Fuguo Roadand and north of Xingsheng Second Road, Hengqin New District, Zhuhai, Guangdong province	Industrial	60%	53,618
Total						4,772,614

Self-owned Park Properties Leasing

During the Reporting Period, the lease income of the self-owned park properties was RMB53.7 million, representing an increase of 44.9% as compared with the same period in 2016. The area of the self-owned quality properties reached 256,000 sq.m., with an occupancy rate of over 91%. It brought a stable and sustainable cash flow to the Group, further optimized the model of business solicitation services for parks and continuously promoted brand effectiveness.

CONSTRUCTION AND MANAGEMENT SERVICES

Governmental Procurement Service, EPC Integrated Design and Construction Service

In recent years, governmental procurement service, born out of the reform tide of local exploration, has been promoted as a national strategy. The central government and local authorities have 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 much more opportunity for enterprises carrying out business relating to the industrial property development and operation. With the comprehensive consultation service and the agent construction service experience in various governmental projects, namely Wuhan Biolake, Wuhan Future Science Town, the Company is working wholeheartedly in governmental procurement service to seek a breakthrough in the income size and model.

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

Project Management and Consultation Service

During the Reporting Period, the revenue of the consultation and management service of the Group was RMB9.0 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 the Reporting Period, the Group provided consultation and management service to government organizations and corporate enterprises in places including Hefei Binhu New Area, Wuhan East Lake Hi Tech Development Zone, Yan'an Hi Tech Development Zone, Changchun Beihu Scientific and Technological Development Zone, Anqing Hi Tech Development Zone, Chongqing Shapingba District, and Dongying Economic Development Zone. The total amount of the service contracts was RMB9.654 million. To date, we have entered into consultation and management service agreements for a total of 12 projects in 10 cities covering Tianjin, Hefei, Luoyang, Wuhan, Yan'an, Changchun, Anqing, Chongqing, Dongying and Wenzhou. The business scope includes sections such as preliminary industrial positioning, project planning, design and business solicitation. These agreements established a good foundation for the Group's further advancement in extended businesses such as construction and management service and industrial park operation service.

INDUSTRIAL PARK OPERATION SERVICES

During the Reporting Period, the revenue of the industrial park operation service of the Group was RMB175.6 million, representing an increase of 8.9% as compared to the same period of 2016. 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, venture capital 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 industrial park operational services are property management service and district heating and cooling service, which accounted for 59.7% and 8.4% respectively.

Property Management Service

During the Reporting Period, the revenue from property management service of the Group was RMB104.9 million, representing an increase of 11.8% as compared to the same period of 2016, among which, income from property management service provided to industrial park projects accounted for 45.1% and income from property management service provided to projects excluding the Group's projects accounted for 89.1%. During the Reporting Period, the area of the property management service reached 11,115,000 sq.m., of which the area of corporate customer services accounted for 51.2%.

During the Reporting Period, 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. Such reform enabled the Group to substantially cut down staff costs, improve its management efficiency as well as increase customers' satisfaction.

By the integrated application of sensors, Internet-of-Things, operation & management software and platforms, the Group initially established its own management model applicable to intelligent business parks. Taking into account both 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 is expected to experience rapid growth.

District Heating and Cooling Service

During the Reporting Period, the income of the district heating and cooling supply service (DHC) of the Group was RMB14.7 million. Energy saving and environmental protection are national strategies that have significant bearings on the livelihood of the general public. The Group owns 29 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.

Smart management service for facility and equipment

During the Reporting Period, the Group's subsidiary, Shenzhen Domainblue Smart Technology Company Limited* (深圳藍域智能科技有限公司), specializing in professional operation of facility and equipment, realized an operating income of RMB2.1 million. The Group adopted a software-oriented development strategy, featuring the characteristics of the Internet era. 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, management service, 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.

Incubator and Office Sharing Service

During the Reporting Period, Wuhan OVU Technology Co., Ltd.* (武漢歐微優科技有限公司), a non-wholly owned subsidiary under the Group, was responsible for the operation of OVU Maker Star. During the Reporting Period, the operating income was RMB8.4 million.

As of 30 June 2017, there were 20 OVU Maker Star sites distributed in 10 cities across the country, including Wuhan, Qingdao, Hefei, Xi'an, Beihai, Ezhou and Huangshi, with a management area of up to 200,000 square metres. 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 of national standard. Among the 20 OVU Maker Star sites, 10 of which are in Wuhan, creating 10,000 jobs, and the average occupancy rate thereof was above 85%. There were accumulatively 500 teams using our services, among which, 15 teams entered the series A round, while 8 teams entered the angel round and 4 teams entered the seed round.

Venture Capital Service

During the first half of 2017, 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 non-wholly owned subsidiary under the Group, took full charge in operating the Group's OVU Fund, and was responsible for investment issues relating to high-tech industries, high-return innovation and entrepreneurship projects. Leveraging on the industrial background and abundant capital market resources of both CEC and its subsidiaries (together, "China Electronics Group") and the Group, Lingdu Capital developed rapidly, with its scale of asset management already reaching RMB2 billion. Lingdu Capital possesses high-quality professional teams in areas such as investment, financing, fund management and project investment, with its core team having extensive experience in entrepreneurship, corporate operation, risk control, investment management as well as abundant experience in both domestic and overseas markets. During the first half of 2017, Lingdu Capital, together with relevant government and other investment institutions, initiated to establish certain funds with a total scale exceeding RMB1.7 billion. As at 30 June 2017, the Group intended to invest a total of approximately RMB370 million.

Other Operation Services

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 registration services and business and commercial registration services, as well as organizing numerous 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 strengthen its customers' loyalty.

INDUSTRIAL INVESTMENT

During the Reporting Period, the Group and Beijing Youpu Information Technology Limited* (北京友普信息技術有限公司) jointly contributed to the establishment of Hengqin China Electronics Youpu Cloud Data Limited* (橫琴中電友普雲數據有限公司) ("CE Youpu"), with an aim to build a solid foundation in industrial technology in the sector of big data and cloud service for the Group's current layout in various businesses such as healthcare big data, intelligent industrial parks and smart city.

CE Youpu has a core technical team with members from the expert team under the National Thousand Talents Program ("千人計劃") of China. With cross-regional IDC, ISP, IP-VPN operating qualifications and over 10 patents and software copyrights, it can provide a comprehensive cloud service solution for customers in the fields of park cloud, hybrid cloud and industry big data based on the customers' complex application scenarios, to meet their one stop IT demands in the planning, deployment and operation during the periods of the business innovation, transformation and upgrading.

FUTURE PROSPECT

Future Prospect for the Second Half of 2017

Macro-Economic Environment

Both the international and domestic economy were in slow recovery as a whole, while the current government leaders vigorously promoted supply-side structural reform whilst attaching more importance to the effectiveness of investment and sustainable development. Government at all levels was further accelerating the transition from old economic drivers to new ones and the economic restructuring and upgrading on the basis of innovation and entrepreneurship, aiming not only to improve economic vitality but also to bring about new development opportunities to enterprises.

A number of institutions predicted that the PRC would experience economic downturn in the second half of 2017. However, the Group believes that although industrial transformation driven by hardware technologies based on integrated circuit and software technologies such as big data, Internet of things, cloud computing has been subverting traditional ways of production, living and consumption and has had an impact on some industries, more new enterprises with new technologies, products, services and models have emerged and developed more rapidly. In addition, government at all levels played an important role in the innovation and entrepreneurship of the society and provided unprecedented policy support for both new and high-tech and high-tech service industries.

STRATEGIES OF THE GROUP

Actively Collaborating with the China Electronics Group to Achieve the Cooperation between a State-owned Corporation and a Local Enterprise, and Proactively Satisfying the Demands Arising from the Local Industrial Upgrading

As a key state-owned enterprise under the management of the central government, the China Electronics Group, being the first largest shareholder of the Company, is the largest state-owned IT conglomerate corporation in China with rich industrial resources in the design, research and development and manufacturing of integrated circuits, tablet PC screens, big data applications, software information services and is dedicated to national strategies including developing proprietary and controllable information security products, etc. Leveraging fully on its experience in the development and operation of themed industrial parks, the Company will closely center on industries that China Electronics Group has advantages in and emphasize on five major themes, namely: integrated circuits, healthcare big data, intelligent manufacturing, new smart cities and civil-military integration. This will help seize opportunities and launch industrial parks and service projects in more regions jointly with related companies of the China Electronics Group.

Making Substantial Breakthroughs in Regions with the Most Vigorous Economic Growth in the PRC Together with Strategic Partners

In April 2017, we made a breakthrough in the Guangdong-Hong Kong-Macao Greater Bay Area by acquiring land for projects in Hengqin, Zhuhai after the acquisition and integration with CE Youpu. In January 2017, we reached an agreement with Excellence Group, a leading domestic company engaged in city complex development and operation, to turn CEC Technology into a platform for the strategic cooperation between both parties. Both parties will jointly explore market opportunities in tier one and tier two cities through our professional services in industrial park development and operation and the Excellence Group's abundant experience in the development and operation of urban commercial and office premises and its capital strength. We believe that our cooperation with Excellence Group and other strategic partners will complement our existing business and improve our efficiency in industrial park development and operation. We expect that we will make substantial breakthroughs in key cities and regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta Economic Zone, the Beijing-Tianjin-Hebei Region and the Yangtze River Economic Belt in a year or two.

Enhancing the Investment and Support in Industrial Innovation and Operation Service to Develop an Ecosystem for Industrial Internet

Intelligent industrial and business services with "Internet thinking" is an irresistible trend. With our established industrial investment platform and abundant enterprise customer resources, the Group will continue to increase our investment and support in the intelligent business parks, smart cities, business incubation, energy services and enterprise related services. The Group's aim will be to build an industrial Internet ecosystem with wider coverage, enhance customer satisfaction and loyalty and achieve an open, interconnected, shared and win-win situation.

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

In 2017, the Group will continue to strive for breakthroughs in scaled financing and financing innovation and support the development of the Group and the development of business operations through a variety of financing. Moreover, we will facilitate the establishment of a mutual insurance model in the parks after the acquisition and reorganization of Growing Business Innovation and Guarantee Co., Ltd. (成長企業創新擔保有限公司). Furthermore, we will also establish a strategic emerging industry investment fund with top-ranking institutions and build a financial service system that combines investment, insurance and lending for enterprises in the parks to further promote the enterprises' development and integrate industrial resources more effectively.

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 Reporting Period, the revenue of the Group was approximately RMB1,304.2 million, representing an increase of 67% as compared with the same period in 2016, which was mainly attributable to the following reasons: (1) recognition from our clients as to the location, design and construction standards of the industrial park properties provided by the Group; (2) the flexible and appropriate business solicitation strategies adopted by the Group in line with the demands of our customers; and (3) construction and management services and industrial park operation services and the asset-light transition strategy are productive and widely recognized by many owners such as governments, institutions, enterprises and the market.

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

	Six months ended 30 June			
	2017		2016	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Industrial Park Development	**984,850**	**75.5%**	545,149	69.8%
Sales of Industrial Park Properties	**899,325**	**69.0%**	224,100	28.7%
Sales of Ancillary Residential Properties	**31,840**	**2.4%**	283,999	36.4%
Self-owned Industrial Park Properties Leasing	**53,685**	**4.1%**	37,050	4.7%
Construction and Management Services	**143,734**	**11.0%**	74,338	9.5%
Industrial Park Operation Services	**175,646**	**13.5%**	161,256	20.7%
Property Management Service	**104,902**	**8.1%**	93,806	12.0%
District Heating and Cooling Service	**14,712**	**1.1%**	13,372	1.7%
Others	**56,032**	**4.3%**	54,078	6.9%
Total	**1,304,230**	**100.0%**	780,743	100.0%

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), and (iii) cost of industrial park operation services.

During the Reporting Period, cost of sales of the Group amounted to RMB819.0 million, representing an increase of RMB179.8 million or 28.1% over the same period in 2016, primarily due to an increase in area of delivered properties during the current period.

Cost of Sales of Industrial Park Properties

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

During the Reporting Period, cost of sales of industrial park properties amounted to RMB546.0 million, representing an increase of RMB56.4 million over the same period in 2016, primarily due to an increase in the area of delivered properties during the current period. For the six months ended 30 June 2016 and 2017, cost of properties sold of the Group accounted for 76.7% and 66.8% of its total cost of sales, respectively.

Gross Profit and Gross Profit Margin

During the Reporting Period, the overall gross profit of the Group was RMB485.2 million, representing an increase of RMB343.7 million as compared with the same period in 2016. Overall gross profit margin was 37.2%, recording an increase by 19.1% as compared to 18.1% of the same period in last year, mainly due to the higher gross profit margin of Hefei Financial Harbour and Wuhan Creative Capital projects, which contributes a bigger proportion of the revenue.

Other Income and (Losses)/Gains - Net

During the Reporting Period, other income and (losses)/gains – net of the Group was the net loss of RMB7.2 million, representing a decrease of RMB137.3 million as compared with RMB130.1 million in the same period of 2016, primarily due to: (1) recognition of the gains arising from the disposal of equity interests in two then subsidiaries of the Group, namely Wuhan Financial Harbour Development Co., Ltd and Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. in the same period of 2016; and (2) the disposal of equity interests of the joint venture, Guangxi Future Land, at a lower price than the carrying amount in this period.

Selling and Distribution Expenses

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

During the Reporting Period, selling and distribution expenses of the Group was RMB41.0 million, representing a decrease of RMB3.9 million as compared with the same period in 2016, primarily due to a decrease in advertising and promotional expenses with many projects of the Group entering the mature stage.

Administrative Expenses

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

During the Reporting Period, administrative expenses of the Group was RMB115.5 million, representing an increase of RMB0.9 million as compared with the same period in 2016, primarily due to an increase of subsidiaries of the Group as compared with the same period last year.

Fair Value Gains on Investment Properties

During the Reporting Period, fair value gains on the Group's investment properties was RMB107.5 million, representing an increase of RMB21.8 million as compared with the same period in 2016, primarily due to an increase of the area of investment properties newly added by the Group this period.

Finance Income

During the Reporting Period, finance income of the Group was RMB29.5 million, representing an increase of RMB22.4 million as compared with the same period in 2016, primarily due to an increase of interest income from an entrusted loan to an associate.

Finance Costs

During the Reporting Period, finance costs of the Group were RMB49.4 million, representing an increase of RMB11.2 million as compared with the same period in 2016, primarily due to the fact that certain park development projects have been completed and the relevant interest expenses ceased for capitalisation in 2017.

Share of Profits of Associates

Share of profits of associates of the Group was RMB20.9 million, representing an increase of RMB20.6 million over the same period in 2016, which primarily consisted of the Group's share of profits of its associate, Hainan Software Community.

Share of Losses of Joint Ventures

The Group had a share of losses of joint ventures of RMB0.8 million for the six months ended 30 June 2017, which primarily consisted of the Group's share of losses of Wuhan Mason.

Income Tax Expense

During the Reporting Period, income tax expense of the Group was RMB211.2 million, representing an increase of RMB172.3 million as compared with the same period in 2016, which was primarily due to (i) an increase in PRC land appreciation tax expense of RMB81.8 million resulted from the Group's higher gross profit margin in the first half of the year; (ii) an increase in PRC corporate income tax expense of RMB64.3 million; and (iii) an increase in deferred tax expense of RMB26.1 million.

Profit For the Reporting Period

As a result of the foregoing, during the Reporting Period, the profit attributable to owners of the Group was RMB186.6 million, representing an increase of RMB65.0 million as compared with the same period in 2016. After deduction of the post-tax fair value gains on investment properties, the core net profit as at 30 June 2017 was approximately RMB137.3 million, representing an increase of 124.1% as compared with the RMB61.3 million in the same period of 2016.

FINANCIAL POSITION

Properties under Development

The carrying amount of properties under development of the Group decreased by RMB32.6 million from RMB1,483.3 million as at 31 December 2016 to RMB1,450.7 million as at 30 June 2017, primarily due to the transfer of the Group's properties under development to completed properties held for sale, including Huanggang OVU Science and Technology City and Qingdao Innocenter (Phase II).

Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the Group decreased by RMB351.8 million from RMB2,935.6 million as at 31 December 2016 to RMB2,583.8 million as at 30 June 2017, primarily due to an increase in area of booked income recorded by the Group during the first half of the year, which resulted in a larger amount transferred to cost of sales over the amount transferred in upon completion of the projects.

Trade and Other Receivables

The Group's trade and other receivables increased by RMB65.0 million from RMB1,665.0 million as at 31 December 2016 to RMB1,730.0 million as at 30 June 2017, which primarily consisted of receivables from the disposal of equity interests in an associate, Guangxi Future Land and a subsidiary, China Electronics Beihai Industrial Park Development Co., Ltd.* (中國電子北海產業園發展有限公司).

Trade and Other Payables

The Group's trade and other payables decreased by RMB68.1 million from RMB1,711.2 million as at 31 December 2016 to RMB1,643.1 million as at 30 June 2017, primarily due to the settlement of part of construction payables by the Group in the first half of 2017.

Liquidity and Capital Sources

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 generates cash through the pre-sale and sale of its properties, proceeds from bank loans and other borrowings.

In the first half of 2017, the Group's net cash inflow from operating activities was RMB122.7 million, which was mainly cash inflow from sale of projects by the Group, such as Creative Capital, OVU Science and Technology City (Ezhou) project, Qingdao OVU International Marine Information Harbour and Hefei Financial Harbour.

In the first half of 2017, the Group's net cash outflow from financing activities was RMB165,000. Cash inflow from financing activities mainly came from bank borrowings and other borrowings. Cash outflow from financing activities in 2017 was mainly related to repayment of 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, decreased from 2.24 as at 31 December 2016 to 2.18 as at 30 June 2017, mainly attributable to the decrease in current assets due to the increase in the booked sales area of the Group and the decrease in the amount of completed properties held for sale.

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%, increased from 18.9% as at 31 December 2016 to 19.0% as at 30 June 2017, primarily attributable to the increase in interest-bearing liabilities for the period and the increase in owners' equity resulting from the net profit recorded for the period.

Indebtedness

The Group's total outstanding indebtedness increased by RMB36.2 million from RMB3,229.9 million as at 31 December 2016 to RMB3,266.1 million as at 30 June 2017.

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 2016 and 30 June 2017, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB884.6 million and RMB709.7 million, respectively.

Net Current Assets

Current assets of the Group consist primarily of properties under development, completed properties held for sale, trade and other receivables, inventories and contracting work-in-progress, and cash and cash equivalents. Total current assets of the Group were approximately RMB7,837.5 million as at 30 June 2017, as compared to RMB8,023.0 million as at 31 December 2016. As at 31 December 2016 and 30 June 2017, aggregate cash denominated in RMB of the Group amounted to approximately RMB2,021.5 million and RMB2,072.5 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 RMB3,598.8 million as at 30 June 2017, as compared to RMB3,582.2 million as at 31 December 2016.

As at 30 June 2017, the Group had net current assets of approximately RMB4,238.7 million as compared to RMB4,440.9 million as at 31 December 2016. The decrease in net current assets of the Group was primarily attributable to the decrease in the amount of completed properties held for sale arising from the excellent sales progress of the Company.

Capital Expenditures and Capital Commitments

During the Reporting Period, capital expenditure of the Group was RMB18.4 million. Capital expenditures of the Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 30 June 2017, the Group's outstanding balances of its commitments related to property development expenditure and investment commitment were RMB662.3 million.

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.

Employees

As of 30 June 2017, the Group had 4,970 full-time employees. The employment cost of the Group was approximately RMB163.6 million for the Reporting Period. 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 qualification, position and seniority.

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in statutory contribution pension schemes that 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 30 June 2017, the Group had pledged certain of its assets with a total net book value of RMB1,924.2 million for the purpose of securing outstanding bank borrowings and corporate bonds, including investment properties, properties under development for sale, completed properties held for sale and property, plant and equipment and restricted cash.

MARKET RISKS

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

LIQUIDITY RISK

The Group reviews its liquidity position on an on-going basis, including expected cash flow, sale/pre-sale results of its respective property projects, maturity profiles 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 RMB2,596.3 million as at 30 June 2017. 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 turnover, expenses, cash and deposits are denominated in Renminbi. The Group's exposures to currency exchange rates arise 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 exposures periodically and considers its exposure to foreign exchange risk not significant.

CREDIT RISK

The Group is exposed to credit risks, primarily attributable to trade and other receivables. With respect to leasing income from its investment properties, we believe that 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 Reporting Period.

MATERIAL DISPOSAL

On 25 January 2017, the Company and China Electronics Optics Valley Union Company Limited, (formerly known as AAA Finance & Investment Limited) (as vendor) entered into an equity transfer agreement with the Excellence Group and CEC Technology, for the conditional sale and purchase of 50% of the equity interest in CEC Technology at a consideration of RMB350.0 million.

On 17 August 2017, the transaction was completed. Following the completion of transaction, CEC Technology will continue to be a subsidiary of the Company.

USE OF PROCEEDS

Reference is made to the joint announcement dated 14 December 2015 issued by the Company and CECH, the circular (the "Circular") of the Company dated 25 February 2016 and the announcements of the Company dated 16 March 2016, 14 June 2016, 30 June 2016 and 5 May 2017 in relation to, among other things, the CECH Subscription and the Placing (as defined in the Circular).

It is expected that the remaining net proceeds, being approximately RMB288.5 million in aggregate as of 30 June 2017, will continue to be used for the development of the Group's business in the manner as set out in the announcement of the Company dated 5 May 2017. The proceeds from the CECH Subscription and the Placing had been and will be applied in accordance with the specific uses as disclosed in the Circular.

The Directors are pleased to present their report together with the unaudited interim results of the Group for the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

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

During the Reporting Period, the Company repurchased a total of 33,304,000 Shares on the Stock Exchange at an aggregate consideration of HK$23,878,280. All of these repurchased Shares were subsequently cancelled[1].

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest (HK$)	Purchase price per Share Lowest (HK$)	Aggregate consideration (HK$)
June 2017	33,304,000	0.75	0.67	23,878,280
	33,304,000			23,878,280

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2017.

Note:

(1) On 22 June 2017, 23 June 2017, 27 June 2017, 28 June 2017, 29 June 2017, 30 June 2017, 3 July 2017, 4 July 2017, 5 July 2017, 6 July 2017, 7 July 2017, 10 July 2017, 11 July 2017, 12 July 2017, 13 July 2017 and 14 July 2017, a total of 64,236,000 ordinary Shares have been repurchased. These Shares were cancelled on 26 July 2017.

DIRECTORS

The Directors as at the date of this report were:

Executive Directors

Mr. Huang Liping *(Chairman and President)*
Mr. Hu Bin *(Executive President)*

Non-executive Directors

Mr. Lu Jun
Mr. Zhang Jie
Ms. Wang Qiuju
Mr. Xiang Qunxiong

Independent non-executive Directors

Mr. Qi Min
Mr. Leung Man Kit
Ms. Zhang Shuqin

CHANGES IN MEMBERSHIP OF THE BOARD

The composition of the Board remains the same as set out in the Company's annual report for the year ended 31 December 2016.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Mr. Qi Min, an independent non-executive director of the Company, has been invited to act as an independent director of Hubei Taizi Mountain Hunting Culture Co., Ltd.* (湖北太子山狩獵文化股份有限公司) (NEEQ Stock Code: 870746) since 13 January 2017. Save as disclosed above, there is no change of information of the Directors that is required to be disclosed under the requirements of paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the Company's annual report for the year ended 31 December 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Interests in the Company

Name of Director	Nature of Interest	Number of Shares Held[(1)]	Approximate Percentage of Shareholding[(2)]
Mr. Huang Liping[(3)]	Interest in controlled corporation	1,907,700,000	23.85%
Mr. Hu Bin[(4)]	Beneficial owner	70,320,000	0.88%

Notes:

(1) All the above Shares were held in long position (as defined under Part XV of the SFO).

(2) The percentages disclosed were calculated based on the total number of issued shares of the Company as at 30 June 2017, i.e., 8,000,000,000. A total number of 33,304,000 shares of the Company were repurchased by the Company in June 2017 but not yet cancelled as at 30 June 2017.

(3) Mr. Huang Liping held 100% equity interests in each of AAA Finance and Lidao BVI, and AAA Finance held 100% equity interests in Sino Compass Group Limited. Under the SFO, Mr. Huang Liping was deemed to be interested in 1,627,700,000 Shares held by AAA Finance, 120,000,000 Shares held by Lidao BVI and 160,000,000 Shares held by Sino Compass Group Limited.

(4) Mr. Hu Bin was a beneficiary of 70,320,000 Shares of a trust set up pursuant to a trust deed executed on 13 September 2013 with Hengxin Global (PTC) Limited as trustee. On 20 July 2015, 21 April 2016 and 28 April 2017, Hengxin Global (PTC) Limited (as trustee) transferred in aggregate 70,320,000 Shares to Mr. Hu. Thus, Mr. Hu Bin was a beneficial holder of 70,320,000 Shares.

Save as disclosed above, as at 30 June 2017, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares, or debentures of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the following persons (not being a Director or chief executive of the Company) had interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares Held[(1)]	Approximate Percentage of Shareholding[(2)]
CEC	Interest in controlled corporation	2,550,000,000[(3)]	31.88%
CECH	Interest in controlled corporation	2,550,000,000[(4)]	31.88%
AAA Finance[(5)]	Beneficial owner	1,627,700,000	20.35%
	Interest in controlled corporation	160,000,000[(6)]	2.00%
Technology Investment HK	Beneficial owner	479,910,000	6.00%
Hubei Science & Technology Investment	Interest in controlled corporation	479,910,000[(7)]	6.00%

Notes:

(1) All the above Shares were held in long position (as defined under Part XV of the SFO).

(2) The percentages disclosed were calculated based on the total number of issued shares of the Company as at 30 June 2017, i.e., 8,000,000,000. A total number of 33,304,000 shares of the Company were repurchased by the Company in June 2017 but not yet cancelled as at 30 June 2017.

(3) These Shares were held by CEC Media. CEC Media was a wholly-owned subsidiary of CECH. As CECH was a subsidiary of CEC, CEC was deemed to be interested in all the Shares held by CEC Media under the SFO.

(4) These Shares were held by CEC Media. CEC Media was a wholly-owned subsidiary of CECH. Under the SFO, CECH was deemed to be interested in all the Shares held by CEC Media.

(5) AAA Finance was wholly-owned by Mr. Huang Liping, the Chairman and President of the Company. Mr. Huang Liping's interests therein are set out in the section headed "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this report.

(6) These Shares were held by Sino Compass Group Limited. Sino Compass Group Limited was a wholly-owned subsidiary of AAA Finance. Under the SFO, AAA Finance was deemed to be interested in all the Shares held by Sino Compass Group Limited.

(7) These Shares were held by Technology Investment HK. Hubei Science & Technology Investment held 100% equity interest in Technology Investment HK. Under the SFO, Hubei Science & Technology Investment was deemed to be interested in all the Shares held by Technology Investment HK.

Save as disclosed above, as at 30 June 2017, the Directors have not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its shareholders 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 Listing Rules on the Stock Exchange as the basis of the Company's corporate governance practices. During the Reporting Period, the Company has been in compliance with the principles and code provisions of the CG Code, except for code provision A.2.1.

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, and 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 of the Company and that their views are communicated to the Board.

Save as disclosed above, throughout the Reporting Period, the Company has been in compliance with all the code provisions set forth in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code throughout the Reporting Period.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2017, the Group had 4,970 employees in Hong Kong and the PRC. For the six months ended 30 June 2017, the staff cost of the Group was approximately RMB163.6 million.

The employees' remuneration policy is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency, and each employee's qualifications, position, seniority and performance.

The remuneration package of the employees includes basic wages, allowance, bonuses, and other employee benefits. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of determining salary increments, bonuses and promotion.

The Remuneration Committee was set up to develop the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regard to the individual contribution and performance of the Directors and senior management of the Group and comparable market practices.

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), Mr. Qi Min (independent non-executive Director) and Ms. Wang Qiuju (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 unaudited interim results for the six months ended 30 June 2017.

On behalf of the Board
China Electronics Optics Valley Union Holding Company Limited
HUANG Liping
Chairman

Wuhan, the PRC
17 August 2017

pwc 羅兵咸永道

To the Board of Directors of China Electronics Optics Valley Union Holding Company Limited
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 36 to 74, which comprises the interim consolidated statement of financial position of China Electronics Optics Valley Union Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim consolidated statement of profit or loss, comprehensive income, changes in equity and cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 August 2017

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Interim Consolidated Statement of Profit or Loss

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue	6	**1,304,230**	780,743
Cost of sales		**(819,032)**	(639,268)
Gross profit		**485,198**	141,475
Other income and (losses)/gains – net		**(7,189)**	130,090
Selling and distribution expenses		**(41,047)**	(44,964)
Administrative expenses		**(115,478)**	(114,555)
Other expenses		**(52)**	(758)
Operating profit before changes in fair value of investment properties		**321,432**	111,288
Fair value gains on investment properties	13	**107,492**	85,667
Operating profit after changes in fair value of investment properties		**428,924**	196,955
Finance income	8	**29,457**	7,095
Finance costs	8	**(49,418)**	(38,195)
Net finance costs		**(19,961)**	(31,100)
Share of profits of associates	14	**20,853**	267
Share of losses of joint ventures	15	**(754)**	(1,704)
Profit before income tax		**429,062**	164,418
Income tax expense	9	**(211,179)**	(38,914)
Profit for the period		**217,883**	125,504
Profit attributable to:			
— Owners of the Company		**186,586**	121,607
— Non-controlling interests		**31,297**	3,897
Profit for the period		**217,883**	125,504
Basic and diluted earnings per share (RMB cents)	11	**2.38**	3.02

The notes on pages 42 to 74 form an integral part of this interim consolidated financial information.

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Unaudited Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Profit for the period	**217,883**	125,504
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
— revaluation of property, plant and equipment, net of tax	**3,173**	—
Items that may be reclassified subsequently to profit or loss:		
— Currency translation differences	**(8,653)**	6,514
Other comprehensive (loss)/income for the period, net of tax	**(5,480)**	6,514
Total comprehensive income for the period	**212,403**	132,018
Attributable to:		
— Owners of the Company	**181,106**	128,121
— Non-controlling interests	**31,297**	3,897
Total comprehensive income for the period	**212,403**	132,018

The notes on pages 42 to 74 form an integral part of this interim consolidated financial information.

Interim Consolidated Statement of Financial Position

	Note	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**312,949**	407,575
Investment properties	13	**2,026,650**	2,220,540
Land use rights		**—**	2,207
Intangible assets		**10,081**	4,515
Investments in associates	14	**1,172,932**	444,715
Investments in joint ventures	15	**61,476**	168,153
Available-for-sale financial assets	5	**10,000**	10,000
Trade and other receivables	19	**177,682**	252,318
Deferred income tax assets		**22,465**	45,077
		3,794,235	3,555,100
Current assets			
Properties under development	16	**1,450,698**	1,483,295
Completed properties held for sale	17	**2,583,825**	2,935,645
Inventories and contracting work-in-progress	18	**141,538**	130,429
Trade and other receivables	19	**1,552,277**	1,412,645
Current income tax assets		**11,205**	5,318
Available-for-sale financial assets		**—**	6,000
Restricted cash	20	**265,005**	208,904
Cash and cash equivalents	21	**1,807,526**	1,812,583
		7,812,074	7,994,819
Non-current assets classified as held for sale	22	**25,400**	28,200
		7,837,474	8,023,019
Current liabilities			
Trade and other payables	23	**1,643,088**	1,711,231
Corporate bonds	24	**29,400**	7,350
Bank and other borrowings	25	**1,699,680**	1,588,180
Current income tax liabilities		**222,631**	271,068
Current portion of deferred income		**3,982**	4,330
		3,598,781	3,582,159
Net current assets		**4,238,693**	4,440,860
Total assets less current liabilities		**8,032,928**	7,995,960

	Note	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Non-current liabilities			
Corporate bonds	24	**574,439**	569,573
Bank and other borrowings	25	**896,580**	1,064,820
Deferred income tax liabilities		**235,535**	239,682
Non-current portion of deferred income		**35,838**	38,969
		1,742,392	1,913,044
Net assets		**6,290,536**	6,082,916
Equity			
Share capital	26	**658,680**	658,680
Treasury shares	26	**(130,993)**	(110,105)
Reserves		**3,300,300**	3,448,902
Retained profits		**1,880,461**	1,693,875
Total equity attributable to owners of the Company		**5,708,448**	5,691,352
Non-controlling interests		**582,088**	391,564
Total equity		**6,290,536**	6,082,916
Total equity and non-current liabilities		**8,032,928**	7,995,960

The notes on pages 42 to 74 form an integral part of this interim consolidated financial information.

Interim Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company											
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Property Revaluation reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		**658,680**	**(110,105)**	**2,497,414**	**35,941**	**31,976**	**299,616**	**583,955**	**3,448,902**	**1,693,875**	**5,691,352**	**391,564**	**6,082,916**
Total comprehensive income for the period ended 30 June 2017		**—**	**—**	**—**	**(8,653)**	**3,173**	**—**	**—**	**(5,480)**	**186,586**	**181,106**	**31,297**	**212,403**
Transactions with owners, recognised directly in equity													
Non-controlling interests arising on business combination	7	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**53,131**	**53,131**
Capital injection from non-controlling shareholders		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**106,096**	**106,096**
Dividends	10	**—**	**—**	**(143,122)**	**—**	**—**	**—**	**—**	**(143,122)**	**—**	**(143,122)**	**—**	**(143,122)**
Repurchase of shares	26	**—**	**(20,888)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(20,888)**	**—**	**(20,888)**
Total transactions with owners, recognised directly in equity		**—**	**(20,888)**	**(143,122)**	**—**	**—**	**—**	**—**	**(143,122)**	**—**	**(164,010)**	**159,227**	**(4,783)**
Balance at 30 June 2017		**658,680**	**(130,993)**	**2,354,292**	**27,288**	**35,149**	**299,616**	**583,955**	**3,300,300**	**1,880,461**	**5,708,448**	**582,088**	**6,290,536**

	Note	Attributable to owners of the Company										
		Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Property Revaluation reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		316,800	284,062	1,262	17,925	263,064	584,021	1,150,334	1,298,502	2,765,636	286,624	3,052,260
Total comprehensive income for the period ended 30 June 2016		—	—	6,514	—	—	—	6,514	121,607	128,121	3,897	132,018
Total transactions with owners, recognised directly in equity												
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	—	96,811	96,811
Issuance of new shares		341,880	2,419,080	—	—	—	—	2,419,080	—	2,760,960	—	2,760,960
Capital injection from non-controlling shareholders		—	—	—	—	—	—	—	—	—	23,295	23,295
Partially capital reduction from a non-controlling shareholder		—	—	—	—	—	—	—	—	—	(35,280)	(35,280)
Dividend paid to a non-controlling shareholder		—	—	—	—	—	—	—	—	—	(10,290)	(10,290)
Disposal of subsidiaries		—	—	—	—	—	—	—	—	—	(119,941)	(119,941)
Total transactions with owners, recognised directly in equity		341,880	2,419,080	—	—	—	—	2,419,080	—	2,760,960	(45,405)	2,715,555
Balance at 30 June 2016		658,680	2,703,142	7,776	17,925	263,064	584,021	3,575,928	1,420,109	5,654,717	245,116	5,899,833

The notes on pages 42 to 74 form an integral part of this interim consolidated financial information.

Interim Consolidated Cash Flow Statement

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations		**342,565**	285,519
Income tax paid		**(219,895)**	(102,918)
Cash flows generated from operating activities – net		**122,670**	182,601
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash received	7	**(34,632)**	81,292
Proceeds from disposal of a subsidiary, net of cash disposed		**139,856**	187,432
Interest received		**35,310**	6,320
Proceeds from disposal of investment properties		**11,577**	19,000
Proceeds from disposal of property, plant and equipment		**44,148**	79
Proceeds from disposal of available-for-sale financial assets		**7,715**	775
Investments in associates		**(187,538)**	(30,541)
Investments in joint ventures	15	**(25,500)**	—
Proceeds from disposal of a joint venture		**20,000**	—
Purchase of property, plant and equipment		**(1,167)**	(26,172)
Payments for investment properties		**(17,198)**	(36,571)
Loans to related parties and third parties		**(238,892)**	—
Prepayments for acquisition of equity interests in property development companies		**(2,048)**	(70,000)
Prepayments for acquisition of properties		**—**	(70,000)
Decrease in prepayments for acquisition of equity interests in property development company		**70,000**	—
Loans repaid from related parties		**51,400**	—
Purchase of intangible assets		**(626)**	(640)
Purchase of available-for-sale financial assets		**—**	(1,000)
Cash flows generated from investing activities – net		**(127,595)**	59,974
Cash flows from financing activities			
Proceeds from issue of new shares		**—**	1,019,808
Proceeds from bank and other borrowings	25	**1,053,000**	1,195,000
Proceeds from loans due to related parties		**200,000**	—
(Increase)/decrease in restricted cash		**(56,101)**	7,542
Repayment of corporate bonds		**—**	(500,000)
Repayment of bank and other borrowings	25	**(959,740)**	(1,066,966)
Repayment of loans due to related parties		**(134,716)**	—
Repurchased shares	26	**(20,888)**	—
Interest paid		**(44,695)**	(104,311)
Dividends paid to shareholders		**(143,122)**	—
Dividends paid to non-controlling interests		**—**	(10,290)
Capital injection by non-controlling interests		**106,097**	23,295
Partially capital reduction to a non-controlling shareholder		**—**	(35,280)
Cash flows (used in)/generated from financing activities		**(165)**	528,798
Net (decrease)/increase in cash and cash equivalents		**(5,090)**	771,373
Cash and cash equivalents at beginning of the period		**1,812,583**	901,364
Effect of foreign exchange rate changes		**33**	93
Cash and cash equivalents at end of the period		**1,807,526**	1,672,830

Non-cash transactions

The principal non-cash transaction is the capitalisation of a receivable from an associate as consideration of further investment in this associate as disclosed in Note 1(e).

The notes on pages 42 to 74 form an integral part of this interim financial information.

1 GENERAL INFORMATION

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

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

The Company's shares were listed on the main board of the Stock Exchange.

This interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

The interim financial information was approved for issue on 17 August 2017 and has been reviewed, not audited.

Key events

(a) Changes in ownership interests in a subsidiary without change of control

On 25 January 2017, the Company and China Electronics Optics Valley Union Company Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with a third party purchaser and China Electronics Technology Development Co., Ltd. ("CEC Technology"), pursuant to which the vendor has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase, the 50% of the equity interest in CEC Technology, for a consideration of RMB350 million. Pursuant to Equity Transfer Agreement, CEC Technology will continue to be a subsidiary of the Company upon completion of the transaction. This transaction is treated as a changes in ownership interests in a subsidiary without change of control. This transaction was completed on 17 August 2017.

(b) Major business combination

On 5 May 2017, the Group acquired 60% equity interest in Growing Business Innovation and Guarantee. Co, Ltd ("GBIG Company"), a company which is engaged as a financing guarantee provider, for consideration of RMB60 million. Accordingly, GBIG Company become a subsidiary of the Company. The acquisition is expected to broaden the Group's comprehensive services to industrial park operating services.

On 30 June 2017, Hubei Han Bo Yuan Thermal Equipment Company Limited ("Hubei HBY Company"), a company which is engaged as a thermal equipment provider, enlarged its register capital from RMB11 million to RMB22.45 million. On the same date, the Group contributed RMB15,457,500 to acquire all new registered capital and obtained 51% equity interest in Hubei HBY Company. Accordingly, Hubei HBY Company become a subsidiary of the Company. The acquisition is expected to broaden the Group's comprehensive services to industrial park operating services.

Details of the above business combinations were set out in Note 7.

1 GENERAL INFORMATION (Continued)

Key events (Continued)

(c) Disposal of a subsidiary with loss of control

On 18 January 2017, the Group disposed of its 70% equity interest in China Electronics Corporation Beihai Industry Park Development Co., Ltd ("CEC Beihai"), a wholly-owned subsidiary, which is engaged in property development business in the PRC, for a cash consideration of RMB196 million. A loss on disposal of the Group's 70% equity interest in CEC Beihai of RMB8,118,000 was resulted and had been recognised in the interim consolidated statement of profit or loss.

(d) Disposal of a joint venture

On 30 June 2017, the Group disposed of all of its 28.9% equity interest in Guangxi CEC Future Investment Land Co., Ltd ("Guangxi Future Land"), a joint venture, which was engaged in property development business in the PRC, for a cash consideration of RMB80,370,000. A loss on disposal of the equity interest of RMB51,053,000 was resulted and had been recognised in the interim consolidated statement of profit or loss.

(e) Deemed partially disposal of an associate

On 24 January 2017, Hainan Resort Software Community Group Co., Ltd ("Hainan Software Community"), an associate of the Group, enlarged its registered capital from RMB160 million to RMB1,600 million. Out of the new registered capital of Hainan Software Community amounting to RMB1,440 million, RMB256 million was contributed by the Group through capitalising a receivable from Hainan Software Community amounting to RMB0.4 billion, while the remaining new registered capital of Hainan Software Community amounting to RMB1,184 million was contributed by certain independent investors by injecting a business with fair value of RMB2.1 billion and cash of RMB0.6 billion. Upon the completion of this transaction, the Group's equity interest in Hainan Software Community was diluted from 40% to 20%, while the Group still retain significant influence in Hainan Software Community. A dilution gain arising on the reduced equity interest in Hainan Software Community amounting to RMB29,474,000 was recognized in the interim consolidated statement of profit or loss.

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

(a) Amendments to IFRSs effective for the financial year beginning on 1 January 2017 do not have a material impact on the Group.

(b) The following are new and amended standards that have been issued and are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
IFRS15	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.

3 ACCOUNTING POLICIES (Continued)

(b) (Continued)

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.

(c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no significant changes in the risk management policies since year end.

5.2 Liquidity risk

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2017

	Carrying amount RMB'000	Contractual cash flow RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank and other borrowings	2,596,260	2,806,966	1,834,931	785,640	186,395
Corporate bonds	603,839	690,405	44,100	44,100	602,205
Trade and other payables (excluded receipts in advance and payroll)	1,205,496	1,205,496	1,205,496	—	—
	4,405,595	4,702,867	3,084,527	829,740	788,600

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Liquidity risk (Continued)

As at 31 December 2016

	Carrying amount RMB'000	Contractual cash flow RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank and other borrowings	2,653,000	2,891,113	1,728,189	612,635	550,289
Corporate bonds	576,923	732,300	44,100	44,100	644,100
Trade and other payables (excluded receipts in advance and payroll)	1,328,224	1,328,224	1,328,224	—	—
	4,558,147	4,951,637	3,100,513	656,735	1,194,389

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.3 *Fair value estimation (Continued)*

The following table presents the Group's financial assets that are measured at fair value at 30 June 2017:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities	—	—	10,000	10,000

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities	—	—	10,000	10,000
— Wealth management products	—	—	6,000	6,000
	—	—	16,000	16,000

There were no changes in valuation techniques during the period.

Fair value measurements using significant unobservable inputs (Level 3)

	Available-for-sale financial assets Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Opening balance at 1 January	**16,000**	13,000
Acquisition of a subsidiary	—	50,500
Additions	—	1,000
Transfer to an associate	—	(3,000)
Disposal	**(6,000)**	—
Closing balance at 30 June	**10,000**	61,500
Recognised gains for the period included in "Other income and (losses)/gains — net"	—	—

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.4 *Fair value of financial assets and liabilities measured at amortised cost*

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank and other borrowings
- Corporate bonds

6 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 as of 30 June 2016 was re-presented for comparison purposes. At 30 June 2017, 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 service for the certain projects under construction.

6 SEGMENT INFORMATION (Continued)

- 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 30 June 2017 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 period is set out below.

For the six months ended 30 June 2017

	Industrial park development RMB'000	Construction and management services RMB'000	Industrial park operation services RMB'000	Total RMB'000
Segment revenue	**990,432**	**206,837**	**194,828**	**1,392,097**
Inter-segment revenue	**(5,582)**	**(63,103)**	**(19,182)**	**(87,867)**
Revenue from external customers	**984,850***	**143,734**	**175,646**	**1,304,230**
Segment results	**316,248**	**21,852**	**743**	**338,843**
Depreciation and amortisation	**(9,376)**	**(5,823)**	**(2,212)**	**(17,411)**

6 SEGMENT INFORMATION (Continued)

(a) Segment results (Continued)

For the six months ended 30 June 2016

	Industrial park development RMB'000	Construction and management services RMB'000	Industrial park operation services RMB'000	Total RMB'000
Segment revenue	546,810	134,325	183,609	864,744
Inter-segment revenue	(1,661)	(59,987)	(22,353)	(84,001)
Revenue from external customers	545,149*	74,338	161,256	780,743
Segment results	89,524	(879)	40,227	128,872
Depreciation and amortisation	(11,065)	(4,745)	(1,774)	(17,584)

* Includes revenue from sales of properties amounting to RMB931,165,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB508,099,000).

6 SEGMENT INFORMATION (Continued)

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue		
Segment revenue	**1,392,097**	864,744
Elimination of inter-segment revenue	**(87,867)**	(84,001)
Revenue	**1,304,230**	780,743
Profits		
Segment profits derived from Group's external customers	**338,843**	128,872
Fair value gains on investment properties	**107,492**	85,667
Share of profits of associates	**20,853**	267
Share of losses of joint ventures	**(754)**	(1,704)
Finance income	**29,457**	7,095
Finance costs	**(49,418)**	(38,195)
Depreciation and amortisation	**(17,411)**	(17,584)
Income tax expense	**(211,179)**	(38,914)
Profit for the period	**217,883**	125,504

7 BUSINESS COMBINATION

(a) Acquisition of GBIG Company

On 5 May 2017, the Group acquired 60% equity interest in GBIG Company. Details of the acquisition are set out in Note 1. The acquisition is expected to broaden the Group's comprehensive services to the industrial park operating services.

The following table summarises the consideration for the acquisition of GBIG Company and the amounts of the identifiable assets acquired and liabilities assumed recognised at the acquisition date.

	RMB'000
Purchase consideration	
— Cash consideration	60,000

7 BUSINESS COMBINATION (Continued)

(a) Acquisition of GBIG Company (Continued)

The fair values of identifiable assets acquired and liabilities assumed at the acquisition date:

	RMB'000
Cash and cash equivalents	24,456
Property, plant and equipment	178
Trade and other receivables	76,690
Trade and other payables	(1,472)
Total identifiable net assets	99,852
Non-controlling interests	(39,941)
Goodwill	89
Cash outflow on acquisition	35,544

Had GBIG Company been consolidated from 1 January 2017, the interim consolidated statement of profit or loss of the Group would show pro-forma revenue of RMB1,304,280,000 and profit for the period of RMB217,547,000.

(b) Acquisition of Hubei HBY Company

On 30 June 2017, the Group acquired 51% equity interest in Hubei HBY Company. Details of the acquisition are set out in Note 1. The acquisition is expected to broaden the Group's comprehensive services to the industrial park operating services.

The following table summarises the consideration for the acquisition of Hubei HBY Company and the amounts of the identifiable assets acquired and liabilities assumed recognised at the acquisition date.

	RMB'000
Purchase consideration	
— Cash paid	8,000
— Cash consideration outstanding to pay	7,458
— Cash consideration	15,458

7 BUSINESS COMBINATION (Continued)

(b) *Acquisition of Hubei HBY Company* (Continued)

The fair values of identifiable assets acquired and liabilities assumed at the acquisition date:

	RMB'000
Cash and cash equivalents	8,912
Property, plant and equipment	11,298
Intangible assets	3,520
Inventories	64
Trade and other receivables	13,734
Trade and other payables	(10,610)
Total identifiable net assets	26,918
Non-controlling interests	(13,190)
Goodwill	1,730
Cash inflow on acquisition	912

Had Hubei HBY Company been consolidated from 1 January 2017, the interim consolidated statement of profit or loss of the Group would show pro-forma revenue of RMB1,312,882,000 and profit for the period of RMB219,245,000.

8 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
(a) Finance income/(costs):		
Finance income:		
Interest income	**11,238**	6,320
Interest income from entrusted loans to associates (Note 29(b(ii)))	**16,504**	–
Income from available-for-sale financial assets	**1,715**	775
Sub-total	**29,457**	7,095
Finance costs:		
Interest expenses	**(65,687)**	(111,085)
Capitalised interest expenses	**16,271**	73,373
	(49,416)	(37,712)
Net foreign exchange losses	**(2)**	(483)
Sub-total	**(49,418)**	(38,195)
Net finance costs	**(19,961)**	(31,100)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
(b) Staff costs:		
Salaries, wages and other benefits	**152,620**	140,124
Contributions to defined contribution retirement schemes	**10,991**	9,104
	163,611	149,228

8 PROFIT BEFORE INCOME TAX (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
(c) Other items:		
Depreciation	**17,012**	17,200
Amortisation	**399**	384
Cost of properties sold	**546,859**	490,492
Cost of construction and goods sold	**131,548**	56,886
Rentals income from investment properties	**(54,777)**	(37,050)
Losses/(gains) on disposal of subsidiaries (Note 1(c))	**8,118**	(128,559)
Operating lease charges	**382**	1,496

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current income tax		
PRC Corporate Income Tax ("CIT")	**91,036**	26,711
PRC Land Appreciation Tax ("LAT")	**86,770**	4,960
	177,806	31,671
Deferred income tax	**33,373**	7,243
	211,179	38,914

9 INCOME TAX EXPENSE (Continued)

(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.

No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax for the period (six months ended 30 June 2016: nil).

(ii) PRC CIT

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 authority, the assessable profits of certain subsidiaries of the Group were calculated based on 8% to 11% of their respective gross revenues for the period.

(iii) PRC LAT

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 rights, borrowing costs and all qualified property development expenditures.

(iv) Withholding tax

According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%. During the period ended 30 June 2017, the directors assessed the cash requirements of the Group and the dividend policies of its major subsidiaries established in the PRC, based on the Group's current business plan and financial position, the directors considered that the retained earnings of the PRC subsidiaries as at 30 June 2017 would not be distributed to their overseas holding companies in the foreseeable future and thus no deferred tax liability was provided accordingly.

10 DIVIDENDS

The board of directors does not recommend the distribution of any interim dividend for the six months ended 30 June 2017.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB186,586,000 (six months ended 30 June 2016: RMB121,607,000). The weighted average number of ordinary shares for the six months ended 30 June 2017 is approximately 7,846,779,270 (six months ended 30 June 2016: 4,021,978,022).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2017 and the six months ended 30 June 2016 and therefore, diluted earnings per share equals to basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	**407,575**	274,915
Acquisition of subsidiaries (Note 7)	**11,476**	54,268
Transfer from completed properties held for sale	**—**	22,967
Other additions	**1,167**	26,172
Disposal of a subsidiary	**(55,414)**	—
Other disposals	**(34,011)**	(63)
Depreciation	**(17,012)**	(17,200)
Transfer to investment properties	**(832)**	—
End of the period	**312,949**	361,059

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

13 INVESTMENT PROPERTIES

	Six months ended 30 June 2016	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	**2,220,540**	1,225,700
Acquisition of a subsidiary	**—**	552,620
Transfer from completed properties held for sale	**94,835**	68,282
Transfer from Property, plant and equipment		
— Net book value	**832**	—
— Revaluation surplus	**4,230**	—
Other additions	**17,198**	36,571
Fair value gains	**107,492**	85,667
Disposal of a subsidiary	**(381,500)**	—
Transfer to non-current assets classified as held for sale (Note 22)	**(25,400)**	(28,400)
Transfer to completed properties held for sale	**—**	(170,000)
Other disposal	**(11,577)**	—
End of the period	**2,026,650**	1,770,440

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.

13 INVESTMENT PROPERTIES (Continued)

The Group's investment properties carried at fair value were revalued as at 30 June 2017 by Cushman & Wakefield International Properties Advisors ("C&W"), an independent firm of surveyors. The valuation were carried out by C&W with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, C&W has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc., between the comparable properties and the subject property. During the period ended 30 June 2017, a total gain of RMB107,492,000 (six months ended 30 June 2016: RMB85,667,000), and deferred tax thereon of RMB26,873,000 (six months ended 30 June 2016: RMB21,417,000), were recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

As at 30 June 2017, certain investment properties of the Group with carrying value of RMB1,302,800,000 (31 December 2016: RMB1,082,220,000), were without building ownership certificate. The Group was in progress of obtaining the relevant building ownership certificate.

There were no transfers of fair value measurements into or out of Level 3 during the six months ended 30 June 2017.

At the end of the reporting period, the management of the Group works with C&W to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy. Details of fair value hierarchy classification are set out in Note 5.3. The significant Level 3 inputs used by the Group mainly include term yield, reversionary yield, and market monthly rental rate.

14 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Beginning of the period	**444,715**	13,215
Acquisition of a subsidiary	—	433,002
Transfer from investment in a subsidiary	**85,510**	—
Transfer from available-for-sale financial assets	—	3,000
Other additions	**592,380**	30,541
Share of post-tax profits of associates	**20,853**	267
Gains from deemed partially disposal (Note 1(e))	**29,474**	—
End of the period	**1,172,932**	480,025

List of major associates as at 30 June 2017 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 Software Community	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB1,600,000,000	20.00%
Wuhan Easylinkin Technology Co., Ltd.	PRC, limited liability company	PRC, development of computer software	RMB2,645,500	31.47%
Shenzhen Huada Beidou Technology Company Limited ("Huada Beidou")	PRC, limited liability company	PRC, development and manufacturing of chips	RMB40,000,000	37.50%
CEC Beihai	PRC, limited liability company	PRC, property development	RMB200,000,000	30.00%

14 INVESTMENTS IN ASSOCIATES (Continued)

In the opinion of the directors, Hainan Software Community is a material associate to the Group. Hainan Software Community is a private company and there is no quoted market price available for its shares. The financial information of Hainan Software Community measured at fair value, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements, which is accounted for using the equity method, is shown as below:

	At 30 June 2017 **RMB'000**	At 31 December 2016 RMB'000
Identifiable current assets and liabilities assumed		
Assets	**7,974,443**	1,930,129
Liabilities	**(1,709,757)**	(1,403,474)
Identifiable net current assets	**6,264,686**	526,655
Identifiable non-current assets and liabilities assumed		
Assets	**1,210,249**	945,139
Liabilities	**(3,190,216)**	(484,406)
Identifiable net non-current assets	**(1,979,967)**	460,733
Identifiable net assets	**4,284,719**	987,388
Identifiable net assets attributable to owners of the Company	**4,249,184**	987,388
Interest held by the Group	**20%**	40%
Carrying amount	**849,837**	394,955

	Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Revenue	**158,034**	—
Profit after income tax	**134,958**	—
Other comprehensive income	**—**	—
Total comprehensive Profit	**134,958**	—

15 INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	**168,153**	36,051
Acquisition of a subsidiary	**—**	131,927
Other addition	**25,500**	—
Disposal	**(131,423)**	—
Transfer to a subsidiary	**—**	(617)
Share of post-tax losses of joint ventures	**(754)**	(1,704)
End of the period	**61,476**	165,657

In the opinion of the directors, none of the joint ventures is material to the Group.

16 PROPERTIES UNDER DEVELOPMENT

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

	At 30 June 2017	At 31 December 2016
	RMB'000	RMB'000
Expected to be recovered within one year		
Properties under development for sale	**697,029**	551,566
Expected to be recovered after more than one year		
Properties under development for sale	**753,669**	931,729
	1,450,698	1,483,295

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

	At 30 June 2017	At 31 December 2016
	RMB'000	RMB'000
In the PRC, with lease term of 40 years or more	**444,332**	670,898

17 COMPLETED PROPERTIES HELD FOR SALE

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

18 INVENTORIES AND CONTRACTING WORKING-IN-PROGRESS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Gross amounts due from customers for contract work (Note (i))	**108,940**	108,023
Work in progress	**9,125**	8,340
Finished goods	**21,865**	12,943
Raw materials	**1,608**	1,123
	141,538	130,429

(i) Gross amounts due from customers for contract work

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cost plus attributable profit less foreseeable losses	**283,958**	303,210
Progress payments received and receivable	**(175,018)**	(195,187)
Contracting work-in-progress	**108,940**	108,023
Representing:		
Gross amounts due from customers for contract work included in inventories and contracting work-in-progress	**108,940**	108,023

19 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current portion		
Trade and bill receivables (Note (i))	**638,286**	539,330
Amounts due from related parties (Note 29(c))	**177,234**	442,156
Deposits	**159,640**	15,000
Prepayments for construction cost and raw materials	**60,845**	152,804
Consideration receivable from disposal of a joint venture	**60,370**	—
Consideration receivable from disposal of a subsidiary	**50,000**	—
Prepaid business tax and other taxes	**16,029**	6,911
Interest receivables from entrusted loans to an associate	—	7,568
Others	**389,873**	248,876
	1,552,277	1,412,645
Non-current portion		
Prepayments for acquisition of properties	**44,000**	44,000
Prepayments for acquisition of equity interests	**133,682**	208,318
	177,682	252,318
Total	**1,729,959**	1,664,963

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 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 month	**249,259**	134,433
1 to 3 months	**29,118**	71,051
3 to 6 months	**47,092**	78,384
Over 6 months	**312,817**	255,462
	638,286	539,330

19 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Trade receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. If payment is made in lump-sum 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.

20 RESTRICTED CASH

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Pledged for:		
— Interest-bearing loans deposits	**189,489**	100,239
— Mortgage deposits	**48,889**	20,014
— Supervision accounts for construction of pre-sale properties	**22,213**	67,102
— Wages guarantee	**2,825**	—
— Commercial acceptance notes	**72**	20,000
— Others	**1,517**	1,549
Total	**265,005**	208,904

21 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash in hand	**4,202**	163
Cash at bank	**1,803,324**	1,812,420
Cash and cash equivalents	**1,807,526**	1,812,583

22 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the period ended 30 June 2017, the Group entered into sale agreements with certain independent third parties to dispose of certain units of its investment properties, which had been leased out or held for future leasing. The sales are expected to conclude and complete within one year. As at 30 June 2017, the non-current assets classified as held for sale are as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Investment properties		
— Cost	**13,484**	14,133
— Fair value change	**11,916**	14,067
	25,400	28,200

As at 30 June 2017, there was no pledge of non-current assets classified as held for sale.

23 TRADE AND OTHER PAYABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade creditors and bills payable	**860,561**	990,100
Receipts in advance	**425,888**	348,881
Amounts due to related parties (Note 29(c))	**91,146**	42,813
Accrued payroll	**11,704**	34,126
Other payables and accruals	**253,789**	295,311
Total	**1,643,088**	1,711,231

23 TRADE AND OTHER PAYABLES (Continued)

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 month	347,992	491,727
1 to 12 months	330,166	282,088
Over 12 months	182,403	216,285
	860,561	990,100

24 CORPORATE BONDS

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
As at 1 January	576,923	1,091,978
Interests and issue cost amortised during the period	26,916	42,210
Interests paid during the period	—	(39,800)
Principal paid during the period	—	(500,000)
As at 30 June	603,839	594,388
Representing:		
Current portion	29,400	29,400
Non-current portion	574,439	564,988

25 BANK AND OTHER BORROWINGS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current		
Secured		
— Bank borrowings	**640,000**	325,000
— Current portion of non-current bank borrowings	**559,680**	432,180
	1,199,680	757,180
Unsecured		
— Bank borrowings	**500,000**	830,000
— Loan from a shareholder	**—**	1,000
	500,000	831,000
	1,699,680	1,588,180
Non-current		
Secured		
— Bank borrowings	**1,456,260**	1,398,000
Less: Current portion of non-current bank borrowings	**(559,680)**	(432,180)
	896,580	965,820
Unsecured		
— Bank borrowings	**—**	100,000
Less: Current portion of non-current bank borrowings	**—**	(1,000)
	—	99,000
	896,580	1,064,820

25 BANK AND OTHER BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	2,653,000
Disposal of a subsidiary	(150,000)
Proceeds from borrowings	1,053,000
Repayments of borrowings	(959,740)
Closing amount as at 30 June 2017	2,596,260

The bank and other borrowings bear interest ranging from 4.35% to 5.70% per annum for the six months ended 30 June 2017 (year ended 31 December 2016: from 4.32% to 6.90%).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. 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 30 June 2017, none of the covenants relating to drawn down facilities had been breached (2016: nil).

26 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 in year 2016, 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 30 June 2017			At 31 December 2016		
	No. of Shares ('000)	RMB'000	Treasury shares RMB'000	No. of Shares ('000)	RMB'000	Treasury Shares RMB'000
Ordinary shares, issued and fully paid:						
At 1 January	**8,000,000**	**658,680**	**(110,105)**	4,000,000	316,800	—
Issue of new shares	—	—	—	4,000,000	341,880	—
Shares repurchased for cancellation (a)	—	—	**(20,888)**	—	—	—
Shares purchased for the share award scheme (b)	—	—	—	—	—	(110,105)
At the end of the year/ period	**8,000,000**	**658,680**	**(130,993)**	8,000,000	658,680	(110,105)

(a) During the period ended 30 June 2017, the Company repurchased a total of 33,304,000 shares at a total consideration of HK$23,878,280 (equivalent to RMB20,888,000) for cancellation purpose. Such shares were cancelled on 26 July 2017.

(b) 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 HK$122,928,380 (equivalent to RMB110,105,000) according to the Share Award Scheme. As at 30 June 2017, none of the 152,998,000 shares has been granted.

27 CAPITAL COMMITMENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted but not provided for	**662,325**	807,364

28 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of the reporting period is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**709,696**	884,645

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

29 RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and other benefits	**6,416**	5,634
Retirement scheme contributions	**151**	126
	6,567	5,760

The above remuneration to key management personnel is included in "staff costs" (Note 8(b)).

(b) Transactions with related parties

Save as disclosed in above, the following is a summary of the significant transactions carried out between the Group and its related parties during the period.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
(i) Joint ventures		
Business operation service	**10**	—
Construction contract revenue	**141**	627
(ii) Associates		
Loans provided by associates	**200,000**	—
Loans provided to associates	**10,174**	—
Interest income	**16,504**	—
Interest expense	**1,268**	—

The prices for the above sales of construction materials, service fees and interest of loans were determined in accordance with the terms of the underlying agreements.

29 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
(i) Joint ventures		
Trade and other receivables	**3,890**	6,747
Trade and other payables	**25,000**	23,500
(ii) Associates		
Trade and other receivables *	**173,344**	442,929
Trade and other payables **	**66,039**	1,516
(iii) Major shareholder		
Trade and other receivables	**–**	48
Trade and other payables	**107**	17,797

The amounts due from/to related parties as at 30 June 2017 were interest-free, unsecured and expected to be recovered/repaid within one year except the amount due from CEC Beihai and the amount due to Huada Beidou.

* As at 30 June 2017, the amount mainly represents the principal amount of RMB150 million due from CEC Beihai, which is in relation to the provision of entrusted loans for a term of one year commencing from 12 December 2016 and ending on 12 December 2017, at an interest rate of 7% per annum by the Group. The Group has recognised interest income of RMB1,592,000 during this period.

** As at 30 June 2017, the amount mainly represents the principal amount of RMB66 million due to Huada Beidou, which is in relation to Huada Beidou's provision of entrusted loans for a term of 12 months commencing from 10 March 2017 and ending on 10 March 2018, at an interest rate of 5.5% per annum to the Group. The Group has recognised interest expense of RMB1,268,000 during this period.

30 EVENTS OCCURRING AFTER BALANCE SHEET DATE

(a) The company further repurchased a total of 30,932,000 shares from 1 July 2017 to 14 July 2017 for cancellation purpose. Such shares, together with the treasury shares repurchased for cancellation as at 30 June 2017 of 33,304,000 shares, were cancelled on 26 July 2017.

(b) The disposal of the 50% equity interest in CEC Technology as disclosed in Note 1(a) was completed on 17 August 2017.

"AAA Finance"	AAA Finance and Investment Holdings Limited, a limited liability company incorporated in the BVI on 10 July 2013 which is wholly-owned by Mr. Huang Liping, one of the Company's substantial Shareholders
"associates" or "close associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CEC"	China Electronics Corporation Limited* (中國電子信息產業集團有限公司), a stateowned company established under the laws of the PRC and the ultimate controlling shareholder of CECH
"CEC Beihai"	China Electronics Corporation Beihai Industry Park Development Co., Ltd.* (中國電子北海產業園發展有限公司), a limited liability company incorporated in the PRC on 16 April 2009 and a 30% owned company of CEC Technology
"CEC Technology"	China Electronics Technology Development Co., Ltd* (中國電子科技開發有限公司), a company established under the laws of the PRC and a non wholly-owned subsidiary of the Company
"CECH"	China Electronics Corporation Holdings Company Limited* (中國電子集團控股有限公司), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability
"CEC Media"	CEC Media Holdings Limited, an immediate wholly-owned subsidiary of CECH
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Company", 'we", "us" or "our"	China Electronics Optics Valley Union Holding Company Limited (中電光谷聯合控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 July 2013 under the Cayman Islands Companies Law
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Excellence Group"	Excellence Real Estate Group Limited* (卓越置業集團有限公司), a limited liability company incorporated in the PRC
"Financial Control Committee"	the financial control committee of the Company
"Group"	the Company and its subsidiaries
"Guangxi Future Land"	Guangxi CEC Future Investment Land Co., Ltd.* (廣西中電未來投資置業有限公司), a limited liability company incorporated in the PRC on 28 December 2011
"Hainan Software Community"	Hainan Resort Software Community Group Co., Ltd.* (海南生態軟件園集團有限公司), a limited liability company incorporated in the PRC on 6 November 2008 and a 20% owned company of CEC Technology
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hubei Science & Technology Investment"	Hubei Science & Technology Investment Group Co., Ltd.* (湖北省科技投資集團有限公司), a limited liability company incorporated in the PRC on 28 July 2005 and a substantial Shareholder of the Company as at 30 June 2016
"Lidao BVI"	Lidao Investment Limited, a limited liability company incorporated in the BVI on 10 July 2013, which is wholly-owned by Mr. Huang Liping, one of the Company's substantial Shareholders

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Optics Valley Software Park"	Wuhan Optics Valley Software Park Co., Ltd.* (武漢光谷軟件園有限公司), a limited liability company incorporated in the PRC on 8 September 2005 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of China
"Reporting Period"	the 6-month period from 1 January 2017 to 30 June 2017
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of our Share(s) from time to time
"Shares"	ordinary shares of HKD0.10 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technology Investment HK"	Hubei Science & Technology Investment Group (Hong Kong) Company Limited (湖北省科技投資集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 11 July 2013 and a substantial Shareholder of the Company
"Wuhan Lido Technology"	Wuhan Lido Technology Co., Ltd.* (武漢麗島科技有限公司), a limited liability company incorporated in the PRC on 13 December 2000 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company

"Wuhan Mason"	Wuhan Mason Property Co., Ltd.* (武漢美生置業有限公司), formerly known as Mason Property (Wuhan) Co., Ltd.* (美生置業(武漢)有限公司), a limited liability company incorporated in the PRC on 11 January 2007 and is owned as to 50% by Wuhan Optics Valley Union
"Wuhan Optics Valley Union"	Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司, formerly known as 武漢光谷聯合股份有限公司), a limited liability company incorporated in the PRC on 24 July 2000 and a wholly-owned subsidiary of Wuhan United Real Estate, and an indirect subsidiary of the Company
"Wuhan United Real Estate"	United Real Estate (Wuhan) Co., Ltd.* (聯合置業(武漢)有限公司), a limited liability company incorporated in the PRC on 23 July 1993 and a wholly-owned subsidiary of AAA Finance & Investment Limited, and an indirect subsidiary of the Company

In this report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "*" is for identification purpose only.