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 **2018**

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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

Ms. Wang Qiuju
Mr. Xiang Qunxiong
Mr. Zhang Jie
Ms. Sun Ying

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)*
Mr. Qi Min
Ms. Wang Qiuju

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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Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISORS

as to Hong Kong law
Reed Smith Richards Butler
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as to PRC law
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Beijing, China

AUDITORS

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Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
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Cayman Islands

HONG KONG SHARE REGISTRAR

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Shops 1712-1716
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PRINCIPAL BANKS

Hankou Bank
Bank of Communications
Industrial and Commercial Bank of China

COMPANY WEBSITE

http://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 2018 is as follows:

	For the six months ended 30 June		
	2018	2017	Change
	RMB'000	RMB'000	%
Results			
Revenue from continuing operations	**751,299**	1,304,230	-42.4%
Gross profit	**273,712**	485,198	-43.6%
Profit before income tax	**184,353**	429,062	-57.0%
Profit attributable to owners of the Company	**103,264**	186,586	-44.7%
Profit attributable to non-controlling interests	**10,714**	31,297	-65.8%
Profit for the period	**113,978**	217,883	-47.7%

	At	At	
	30 June 2018	31 December 2017	Change
	RMB'000	RMB'000	%
Assets and liabilities			
Non-current assets	**4,770,241**	4,218,606	13.1%
Current assets	**9,387,125**	9,149,471	2.6%
Current liabilities	**4,754,578**	3,903,664	21.8%
Net current assets	**4,632,547**	5,245,807	-11.7%
Total assets less current liabilities	**9,402,788**	9,464,413	-0.7%
Total equity	**6,552,670**	6,860,745	-4.5%
Non-current liabilities	**2,850,118**	2,603,668	9.5%
Total equity and non-current liabilities	**9,402,788**	9,464,413	-0.7%

In the first half of 2018, global recovery continued but slowed down in momentum. China's economy kept its new norms and continued to forge ahead in exploration and innovation. With the deleveraging of real economies, the deleveraging of governmental finance and private finance is also gradually being advanced in process. Technology innovation, system innovation and the implementation of various national strategic frameworks open to the outside world are stimulating from an in-depth level the industrial structure and regional structure of China's economic development to change in different rhythms. We believe such active changes will promote high quality growth of economy in terms of structure and system.

However, there will inevitably be drawbacks in the process of deleveraging. From the second half of 2017 to the first half of 2018, local governmental ppp projects were suspended fully. The significant reduction in infrastructures, industrial parks and fixed asset investments by enterprises generated certain effects on the industrial park development business in which we were being engaged.

This also reflects indirectly that it is prospective and right for us to begin at the end of 2015 to plan to implement the strategic transformation of the platform for comprehensive light asset operation and industrial resource sharing.

In the first half of this year, China's economy was in a deep adjustment period with great uncertainties. Under such environment, our business income dropped. However, our operation service business income remained stable. In fact, new breakthroughs are being made in terms of the strategic layout of new business. The establishment of CICC (Xiamen) Intelligence Industrial Equity Investment Fund* (中電中金（廈門）智慧產業股權投資基金) ("CEL & CICC") and Wenchuang Fund of Wuhan LingDu Capital Investment and Management Co., Ltd* (武漢零度資本投資管理有限公司) ("Lingdu Capital") are completed. This generates a profound effect on the new development strategies of our industrial parks. Chengdu Core Valley has been operated formally, and the acquisition of Shanghai Port of Things Project Company has completed, while Hangzhou Bay Project, Xianyang Project and Wuhan Guanggu Port of Things Project are being actively advanced in process in different manners. We believe that these new vigorous-growth businesses will lay a new foundation for the continued growth of the Group's income.

In terms of the way of serving the regional economy, industries, governments and enterprises, there is an in-depth development in light asset industrial resource integration businesses and the comprehensive operation is conducted in a more stable manner. The cooperation with Xianyang, Chongqing, Nanjing, Yinchuan and other cities and enterprises such as China State Construction Engineering Corporation (中國建築集團有限公司), Excellence Real Estate Group Limited* (卓越置業集團有限公司) and Guangzhou R&F Properties Co., Ltd.* (廣州富力地產股份有限公司), is in progress in a more open and suitable manner.

We have always been cautious and optimistic about the development of China's economy in such period as it rebounds after hitting rock bottom. We also believe that we will generate income from our current sound strategic future-based layout.

ACKNOWLEDGEMENTS

Last but not least, on behalf of the Board, I would like to express my heartfelt gratitude to our Shareholders for their strong support and trust, and express my sincere gratitude to every director of the Group, management and staff for their hard work.

Huang Liping
Chairman

Wuhan, the PRC, 23 August 2018

REVIEW OF FINANCIAL INFORMATION

The independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2018 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 2018

- The revenue derived from industrial park operation services of the Group was RMB441.5 million as of 30 June 2018, representing an increase of 38.2% as compared with the same period in 2017 and 58.8% of turnover, while revenue from industrial park operation services for the same period in 2017 accounted for 24.5% of turnover.

  The Group recorded turnover of RMB751.3 million as of 30 June 2018, representing a decrease of 42.4% as compared with the same period in 2017 mainly due to the Group's adjustment to pattern of sales of industrial park in the first half of the year.

- The gross profit margin of the Group amounted to 36.4% as of 30 June 2018, representing a slight decrease compared with the consolidated gross profit margin of 37.2% for the same period in 2017.

  As of 30 June 2018, the Group achieved a profit of RMB114.0 million, representing a decrease of 47.7% as compared with the same period in 2017. After deduction of the post-tax fair value gains on investment properties, the core net profit was approximately RMB92.7 million, representing a decrease of 32.5% as compared with the same period in 2017.

- The Group secured contracted sales of properties of RMB771.5 million, representing a decrease of 32.3% as compared with the same period in 2017; and the area of contracted sales was approximately 120,000 sq.m., representing a decrease of 27.7% as compared with the same period in 2017.

BUSINESS REVIEW

As of 30 June 2018, the Group, being a leading development and operation services enterprise in themed industrial parks, developed or operated a number of industrial parks in over 30 cities, including Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Chengdu, Shanghai, Tianjin, Shenzhen, Chongqing, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Dongying, Luoyang, Changsha and Xianyang. The Group manages its businesses by business lines (products and services). As at 30 June 2018, the Group's business consists of three parts: (i) industrial park space services business (including sale and leasing services of industrial park space), (ii) industrial investment (industrial-related equity investments business in various theme parks), (iii) industrial park operation services (including design and construction services, property management service, energy services, intelligent park services, incubator and office sharing services, financial services in parks, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment).

REVENUE BY BUSINESS SEGMENTS

	Period ended 30 June			
	2018		2017	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Industrial Park Space Services	309,774	41.2%	984,850	75.5%
Sales of Industrial Park	236,378	31.5%	899,325	69.0%
Industrial Park Leasing	68,793	9.2%	53,686	4.1%
Sales of Ancillary Residential Properties	4,603	0.5%	31,840	2.4%
Industrial Park Operation Services	441,525	58.8%	319,380	24.5%
Design and Construction Services	174,289	23.2%	143,734	11.0%
Property Management Service	139,586	18.6%	104,901	8.1%
Energy Services	21,263	2.8%	16,139	1.2%
Others	106,387	14.2%	54,606	4.2%
Total	751,299	100.0%	1,304,230	100.0%

INDUSTRIAL PARK SPACE SERVICES

In the first half of 2018, the income from the industrial park space services of the Group was RMB309.8 million, representing a decrease of 68.5% as compared to the same period of 2017. Among which, the sales income from industrial park properties was RMB236.4 million, representing a decrease of 73.7% as compared to the same period of 2017, with a booked sales area of 34,000 sq.m., representing a decrease of 73.6% compared to the same period of 2017. The income from Industrial Park Leasing amounted to RMB68.8 million, representing an increase of 28.1% as compared to the same period of 2017. Its leasing area was 272 thousand sq.m with a occupancy rate of more than 80%. The income from sales of ancillary residential properties was RMB4.6 million, which is decreased as compared to the same period of 2017, which was mainly due to ancillary residential properties basically having been sold out.

For the six months ended 30 June 2018, properties sold and delivered include:

Properties sold and delivered	2018 Revenue (RMB'000)	2018 GFA sold and delivered (sq.m.)	2018 Recognized average selling price (RMB per sq.m.)	2017 Revenue (RMB'000)	2017 GFA sold and delivered (sq.m.)	2017 Recognized average selling price (RMB per sq.m.)
Central China	**170,874**	**23,623**	**7,233**	404,960	53,809	7,526
Northern Region	**5,443**	**1,951**	**2,790**	21,738	7,557	2,877
Qingdao Companies	**30,116**	**4,307**	**6,992**	30,669	4,909	6,248
Hefei Companies	**34,548**	**4,432**	**7,795**	473,798	63,032	7,517
Total	**240,981**	**34,313**	**7,023**	931,165	129,307	7,201

Sales of Industrial Park

In the first half of 2018, the income from sales of industrial park of the Group was mainly generated from Central China, Northern Region, Qingdao and Hefei, among which, the sales income from Central China project reached RMB170.9 million, accounting for 70.9% of the income from sales of industrial park; the sales income from Northern Region project reached RMB5.4 million, accounting for 2.3% of the income from sales of industrial park; the sales income from Qingdao project was RMB30.1 million, accounting for 12.5% of the income from sales of industrial park. The sales income from Hefei project reached RMB34.5 million, accounting for 14.3% of the income from sales of industrial parks.

During the Reporting Period, the decrease in the income from sales of industrial park was mainly due to the projects in Hefei, Wenzhou, Shenyang, Chengdu and Changsha being still under construction or proposed to construct in the first half of 2018 resulting in income not available for recognition. The Group may enter into related contracts and carry forward income mainly in the second half of 2018.

SUMMARY REGARDING THE SALES OF INDUSTRIAL PARK

For the six months ended 30 June 2018, the details of the Group's contracted sales amount and contracted area of sales of industrial park are as follows:

	Contracted amount (RMB'000)		Contracted area (sq.m.)	
City and project	**2018**	2017	**2018**	2017
Central China	**197,604**	442,465	**20,992**	69,583
Northern Region	**84,273**	34,675	**23,189**	11,517
Southern Region	**84,809**	–	**23,552**	–
Qingdao Companies	**265,394**	149,831	**37,106**	23,073
Hefei Companies	**139,383**	512,137	**15,245**	61,769
Total	**771,463**	1,139,108	**120,084**	165,942

DEVELOPMENT AND PROGRESS OF INDUSTRIAL PARK

During the Reporting Period, the total area of new development in industrial parks was 187,000 sq.m. and total area of new completion was 84,000 sq.m.. As at 30 June 2018, the total area under construction was approximately 730,000 sq.m..

COMPLETED AREA IN MAJOR CITIES THROUGHOUT THE NATION

Completed area of the projects as of 30 June 2018:

City	**Project Name**	**Completed area in 2018 (sq.m.)**
Xi'an	Computer service industry base phase I	84,300

Land Bank

During the Reporting Period, the high quality land bank of the Group was approximately 6,388,000 sq.m., distributed in 16 cities, namely Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Hefei, Shenyang, Xi'an, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai and Ningbo.

Land Bank Table

An overview of land bank as of 30 June 2018 is as follows:

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (sq.m.)
1	Optics Valley Software Park	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	54,425
2	Financial Harbour (Phase I)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
3	Financial Harbour (Phase II)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	28,465
4	Creative Capital	Wuhan	16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	194,185
5	Wuhan Innocenter	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	199,438
6	Lido 2046	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	2,497
7	Others	Wuhan	N/A	Residential	100%	14,612
8	Qingdao OVU International Marine Information Harbour	Qingdao	396 Emeishan Road, Qingdao, Shandong Province	Industrial	100%	321,185
9	Qingdao Innocenter	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential/Industrial	100%	116,627
10	Qingdao Marine & Science Park	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
11	Huanggang OVU Science and Technology City	Huanggang	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	Industrial	70%	102,021
12	Shenyang OVU Science and Technology City	Shenyang	Intersection of Sheng Jing Da Jie and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	3,438
13	Shenyang CEOVU Information Harbour	Shenyang	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	92,754
14	Ezhou OVU Science and Technology City	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	321,320
15	Huangshi OVU Science and Technology City	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	181,141
16	Lido Top View	Huangshi	76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	16,077
17	Hefei Financial Harbour	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	100%	469,625

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (sq.m.)
18	Xi'an Industrial Park	Xi'an	West of Caotanshi Road, North of Shangji Road, Xi'an, Shaanxi Province	Industrial	73.9%	167,651
19	Wenzhou Industrial Park	Wenzhou	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou, Zhejiang Province	Industrial	60%	369,027
20	Changsha CEC Software Park	Changsha	Yuelu Avenue in High-tech Industrial Development Zone, Changsha	Industrial	100%	457,830
21	Shanghai Logistic Enterprise Community	Shanghai	114/1 Hill, 101 Street, Songjiang Industrial Park, Songjiang District, Shanghai	Industrial	100%	235,400
22	Chengdu Core Valley	Chengdu	Group 1 of Fengle Community, Dongsheng Street, Group 7 of Guangrong Community, Peng Town, Chengdu	Commercial Service	100%	54,563
23	Hangzhou Bay center, Weilan Hai'an, Ningbo City	Ningbo	North of Binhai sixth Road and east of Zhong xing first road, Hangzhou Bay New District, Ningbo City	Residential/Industrial	31%	1,422,200
24	Henqin Zhishuyun	Zhuhai	East of Fubang Road, south of Xingsheng Third Road, west of Fuguo Roadand and north of Xingsheng Second Road, Hengqin New District, Zhuhai, China	Commercial	30%	53,618
25	Hainan Resort Software Community	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	10%	871,493
26	Beihai Industrial Park	Beihai	West of Beihai Avenue, South of Kefu Road, Beihai, Guangxi Province	Industrial	15%	413,513
Total						6,387,885

Industrial Park Leasing

During the Reporting Period, the income of the industrial park leasing was RMB68.8 million, representing an increase of 28.1% as compared with the same period in 2017. The area of the self-owned high quality properties reached 272,000 sq.m., with an occupancy rate of over 80%, which will bring a stable and sustainable cash flow to the Group, further optimizing the model of business solicitation services for parks and continuously promoting brand effectiveness.

INDUSTRIAL INVESTMENT

In the first half of 2018, the Group, together with Xiamen Jin Yuan Investment Group Company Limited* (廈門金圓投資集團有限公司) and Zhong Jin Qi Rong (Xiamen) Equity Investment Fund (LLP)* (中金啟融（廈門）股權投資基金合夥企業（有限合夥）) and other companies, set up CEC & CICC, which will have profound impact on the new development strategy of our Industrial Park. CEC & CICC is a unique investment platform established by CEC and CICC Capital for the target industry, with a total scale of RMB5 billion. It focuses on the value chain of advanced manufacturing industries related to semiconductors and electronics, and is complementary investment portfolio to Science and Technology Innovative SMEs. CEC & CICC has an independent investment committee and decision-making program, a professional management team with excellent industry and investment background and market-based incentive mechanism. CEC & CICC will make use of the industry resources of the fund management team and CEC's unique advantage of being a central enterprise to achieve the business expansion of the invested company and the penetration of the Chinese market through various effective methods. Meanwhile, it creates synergies and seizes the upstream of the capital market by virtue of China's huge network of listed companies.

Wuhan Easylinkin Technology Co., Ltd.* (武漢慧聯無限科技有限公司) ("Easylinkin Technology") is the first low-power integrated service provider of wide-area Internet of Things, forming the most influential low-power wide-area Internet industry chain in China. As one of the first enterprises in China that are engaged in the research and development of LoRa-based LPWAN core products, Easylinkin Technology has developed a complete set of gateway products for end-to-end networking with independent intellectual property rights in the terms of LPWAN. These gateway products have been registered by the State Radio Regulatory Commission and met the radio communication standards. They have obtained more than 90 invention patents or software copyrights and are adopted by more than 10 industries and 70 projects covering Internet-of-Things in parks, security, energy and household sectors. The company now focuses on vertical industries including intelligent, safe community co-built with public security bureau, intelligent building and meter reading, and are replicating widely. Easylinkin Technology obtained the A-round financing led by IDG in 2017, and finished the B-round financing led by China Growth Capital in the first half of 2018. Easylinkin Technology's post-investment valuation was approximately RMB830 million, positioned as one of the leading companies in wide-area Internet industry in China. It is expected to become a one-of-a-kind enterprise in the next two to three years.

Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) ("Huada Beidou") is mainly engaged in the design, integration, production, testing, sales and related business of chips, algorithm, module and end products. Navigation and positioning chips of Huada Beidou, which adopted the integrated RF baseband design, is the first of its kind in China which ranked in the top 10 of an international ranking for professional navigation and positioning of chips. Meanwhile, it is credited with several awards issued by the domestic integrated circuit industry and navigation and positioning industry. As at 30 June 2018, operation revenue of Huada Beidou amounted to RMB8.7 million, representing an increase of 37.7% as compared to the same period of 2017. Currently, Huada Beidou has communicated with certain investment institutions, indicating an optimistic growth.

Headquartered in Shanghai, Ruizhang Technology Co., Ltd* (瑞章科技有限公司) provides information technology of Internet of Things and industrial application solutions. It has the world-leading RFID product performance R&D center and testing center, and it has independently developed core products of Internet of Things including chips, volume labels, antennas, readers, hand-held devices, integrated circuits, middleware, cloud platforms and big data. Its main business is concentrated in the five areas including smart retail, smart logistics, smart manufacturing, intelligent security and intelligent books.

Hengqin China Electronics Youpu Cloud Data Limited* (橫琴中電友普雲數據有限公司) ("Hengqin China Electronics Youpu") is an innovative information technology infrastructure service provider that provides HIT, IDC hosting, operation and maintenance, hosting bandwidth, private cloud management and public cloud services, and provides professional solutions in three areas namely, the sub-sectors e-commerce, Internet+smart manufacturing, and finger vein recognition, and the promoted "Special Information Zone" (信息特區) also has entered a new period of development.

Industrial Park Operation Services

During the Reporting Period, the turnover of the industrial park operation service of the Group was RMB441.5 million, representing an increase of 38.2% as compared to the same period of 2017. The Group provides a variety of integrated operational service to enterprises stationed in our industrial parks, including design and construction services (including governmental procurement services, PPP service, EPC integrated design and construction services, project management and consultation services), property management service, energy services, intelligent park services, incubator and office sharing services, financial services in parks, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment. In terms of composition, the major income sources of the industrial park operational services are design and construction services and property management service, which accounted for 71.1%.

Design and Construction Services

Governmental Procurement, EPC Integrated Design and Construction Services

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

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

During the Reporting Period, the revenue of the design and construction services was RMB162.5 million, representing an increase of 21.3% as compared to the same period of 2017.

Project Management and Consultation Services

In 2018, guided by the overall idea of building an "industrial resources sharing platform", the Group's consultation and management business has been expanded through synergy between strategic resource allocation and industrial ecosystem establishment, and has developed in a sustainable, innovative way in all respects. The Group assisted CEC in actively carrying out strategic industrial cooperation in Yinchuan, cooperated with China Electronics International Information Service Co., Ltd.* (中國中電國際信息服務有限公司) to expand industrial innovation cooperation in Zhuhai and Zigong, and carried out business in respect of industrial and intelligent parks in Luzhou together with Easylinkin Technology and the department of intelligent industrial parks. In Chongqing, the consultation business promoted the establishment of the Group's first technology industry development company, strengthening the linkage between government and enterprises, and continuously promoting local industry innovation and development. In Putian, the consultation business was self-enhancing by offering a two-way idea of planning and design, and practicing the Group's approach of multiple planning integration. As an asset-light business of the Group, in 2018, the consultation and management business will adhere to the concept of industrial resource sharing platform and keep coordinating the rapid growth of the Group's industrial park development and operation business.

During the Reporting Period, the Group's consultation business income exceeded RMB11.7 million, representing an increase of 30.0% as compared to the same period in 2017.

Property Management Service

During the Reporting Period, the revenue from the property management service of the Group was RMB139.6 million, representing an increase of 33.1% as compared to the same period of 2017, among which, income from property management service provided to industrial park projects accounted for 48.0% and income from property management service provided to projects other than the Group's projects accounted for 16.0%. During the Reporting Period, the area of the property management service reached 17,823,000 sq.m., of which the area of corporate customer services accounted for 54.9%.

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.

Through the integrated application of sensors, Internet-of-Things, operation & management software and platforms, the Group has initiated an establishment of 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 the strong demand from customers, the Group plans to promote this management model in the coming three years. The operating income from this business segment is expected to experience rapid growth.

Energy Services

During the Reporting Period, the income from energy services (DHC) of the Group was RMB21.3 million. Through years of development and exploration, Wuhan China Electronics Energy Conservation Co., Ltd* (武漢中電節能有限公司) ("CEEC") gradually established the ecological business system featuring "DHC as core business and mechatronics engineering, EMC, special pipe and intelligent automatic control as major business", completing its planning and layout for future strategic development. As of June 2018, CEEC had 24 utility models, 9 patents for invention and 4 software copyrights relating to its self-developed energy saving control system.

Currently, CEEC's 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 in the future. Development will be accelerated by adopting a variety of measures such as autonomous investment and operation, agent construction operation and management consultation. Through the strategic cooperation with competitive enterprises within the same district, we strive to dominate the domestic DHC market swiftly and become the leader in China's DHC market.

Intelligent Park Services

During the Reporting Period, the Group made a historic move in industrial ecological development with intelligent park development as its focus. With industrial park application scenarios as its motive and objective, key technology as the point to break through and new intelligent city construction as its general goal, the Group formed an Internet-of-Things industrial ecosystem based on core technologies such as low-power WANs for Internet-of-Things, Beidou navigation positioning chip, ultra-high frequency RFID, indoor maps, passive switching, intelligent control and cloud computing. Combing the above with offline service resources such as Lido Property, Lido Technology, Domainblue Smart and Quanpai Life (全派生活), we preliminarily established the industrial park operation system with core competitiveness, achieving a dual dimension park service system with building space and data space in parallel.

Since its establishment, Domainblue Smart has been actively conceiving its business modes and constructing its business units. In 2018, through optimizing its technical service, Domainblue Smart continuously verified the competence of its business units to prepare for the marketization of the offline output facilities and equipment integrated operation service.

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 controlling subsidiary of the Group, was fully responsible for the operation of OVU Maker Star. During the Reporting Period, the operating income was RMB9.3 million.

As of 30 June 2018, there were 26 OVU Maker Star sites distributed in 12 cities across the country, including Wuhan, Qingdao, Hefei, Xi'an, Beihai, Ezhou and Huangshi, with a management area of 319,000 sq.m. Among these sites, seven of them, being Wuhan Creative Capital (武漢創意天地), Qingdao International Marine Information Harbour (青島國際海洋信息港), Beibu Gulf Information Harbour (北部灣信息港), Hefei, Yan'an Hi-tech Creativity (延安高新眾創), Xinyang Hi-tech Industry Development Area Business Incubation Center (信陽高新技術產業開發區創業服務中心) and Huangshi, were rated as national Entrepreneurship Development Arena; and four of them, being Beihai Electronics Industrial Park (北海電子產業園), Yan'an Hi-tech Creativity, Hainan RSC, Xinyang Hi-tech Industry Development Area Business Incubation Center (信陽高新技術產業開發區創業服務中心), were rated as incubators with national standard. Among the 26 OVU Maker Star sites, 14 are located in Wuhan, creating more than 10,000 jobs, and the average leasing rate thereof was above 85%. We provided services for over 600 teams in total.

Financial Services in Parks

As of 30 June 2018, Lingdu Capital, a controlling subsidiary of the Group, was fully responsible for operating the Group's OVU Fund. Lingdu Capital developed rapidly and identified six investment directions, including smart cities, intelligent manufacturing, healthcare big data, civil-military integration, integrated circuits and cultural and creative entertainment, with its scale of assets under management already reaching RMB4.0 billion; it possesses high-quality professional teams in areas such as investment, financing, fund management and project investment and its core team has extensive experience in entrepreneurship, corporate operation, risk control and investment management as well as in-depth knowledge in domestic and overseas markets. As of 30 June 2018, Lingdu Capital, together with relevant government and other institutions, initiated to establish certain funds with a total scale exceeding RMB3.8 billion. As of 30 June 2018, the Group initiated and organized an entrepreneurship competition named the third "Yizhidu Show (億隻獨SHOW)", and organized jointly with CEC the CEC Partner Conference (中電合作夥伴大會) and the CEC i plus innovation and creativity competition (中電i+創新創意大賽) to gather rich resources for its entrepreneurship incubation service and to extensively enhance its market position and reputation in entrepreneurship incubation service market. As of 30 June 2018, the Group has entered into investment agreements with 24 companies involving a total amount of RMB160 million. Such companies include Easylinkin Technology, Wuhan Beida High-Technology Software Company Limited and Huada Beidou.

Growing Business Innovation and Guarantee Co., Ltd., a controlling subsidiary of the Group, built up a financial service platform in parks with guarantee businesses as focus, with factoring and financial leasing as complements, and providing financing guarantee services for SMEs as its core business and financial services for industrial parks as its feature. In the first half of 2018, we provided 14 financing services of an amount of RMB184.8 million in total, recording income of RMB9.8 million.

Group Catering and Hotel Services

Based on the industrial park, Quanpai Catering (全派餐飲) not only provides services for the Group, but also promotes the business atmosphere in the park at the same time, attracting various business into the park and improving its comprehensive service ability. Since it was set up 7 years ago, Quanpai Catering has gradually established its brand in the group catering industry in Wuhan. It is continuously expanding the market on top of the solid foundation laid. At present, Quanpai Catering has 24 market projects, among which 5 were new in the Reporting Period. In the first half of 2018, it realized an output of RMB38.4 million and a revenue of RMB18.7 million.

Other Industrial Park Operation Services

In addition, the Group also provided more than ten types of industrial park operation related services, including apartment leasing, real estate agency, recreation and entertainment. It also offers collective household register services and business and commercial registration services, as well as organizes a number of activities in the parks, such as blind dates and social parties. These services were all highly praised by the enterprise residents and their staff and helps strengthening customers' loyalty to the Group.

FUTURE PROSPECT

Future Prospect for the Second Half of 2018

Macroeconomic Environment

2018 marks the beginning of the comprehensive implementation of the spirit of the 19th CPC National Congress of the Communist Party of China. Structural reform is being advanced steadily on the supply side. The national innovation-driven strategies and the national strategies of converting old dynamics to new dynamics are gradually becoming effective. The economy of China continues to maintain a stable but improving performance under new norms.

The Group is of the view that, while China's economy is affected by the weak overall macro economic situation and the uncertain factors of the US-China trade disputes, there are increasing active factors contributing to its stable but improving performance. This brings more opportunities for the development of enterprises. While production capacity is reduced to solve overcapacity, the standard of production equipment is upgraded, especially intelligent applications, which will become an important economic growth point. In-depth reform will promote the modernization of urban governance. Reorganization of social organizations and systems will present an important development opportunity for the industrial ecosphere which is centered on things of internet and intelligent applications, and brings new demands for the consulting business of the industrial parks.

THE GROUP'S STRATEGIES

Focusing on Systematized Business Collaboration

"No High-level Collaboration, No High-quality Development" is the Group's collaboration development strategy. The Group will continue to carry out such strategy, focus on the collaboration development quality, give full play to the role of the carrier and platform of the industrial parks. In addition, the Group will also deepen and push forward the cooperation with China Electronics and other Group member companies, break down the barriers, and integrate the advantages of various existing resources, including internal resources of China Electronics and the Group, various-channel strategic cooperation resources and all forms of equity investment resources. The Group will effectively employ such composite and comprehensive advantages to increase the company value in multiple manners.

Promoting the Industrial Parks Space Service Business to be Upgraded to a New Level

In the second half of 2018, the Group will provide more support to the development companies in all cities according to local conditions, encourage such companies to combine the current good results they have already achieved, seize opportunities, and rely on the branding influences to continue to expand the industrial parks development and operation advantages and speed up operation pace to release new energy in terms of industrial parks space service business in order to realize year on year growth of annual income. Meanwhile, the Group will make full use of the great strategic background of the integration of the military and the civilians and the opportunity for collaborative development with China Electronics to seek for and seize more commercial opportunities to achieve a new urban layout.

To Enable the Intelligence of the Industrial Parks to be a New Engine for Realizing High-quality Development

In the second half of 2018, we will continue to use the first shared economic demonstration platforms identified by the National Development and Reform Commission (NDRC) as an opportunity to strengthen platform thinking, clarify the goals to increase efficiency, and carry out the platform construction plans. Meanwhile, we will also firmly grasp the orientation of applications, focus on user experience, coordinate the stable advancement of the Company's resources, and rely on CEC Group's strategic urban governance modernization layout, so as to speed up the promotion of the intelligent system of the industrial parks via multiple channels and manners.

Paying Attention to the Quality of Consulting Services and Giving Full Play to the Leading Role of the Consulting Business

Our consulting business is related to the urban development strategy and function planning and layout. It has a sacred mission and great responsibility. The Group will keep pace with the times to perfect the methodology system and actually perform contractual obligations to create brand value based on its years of successful professional experiences. We will accurately grasp onto China's strategic goals for constructing modernized economic system and high-quality development guidelines to targetedly help local companies form new and innovation-led industrial system.

We will push forward the cooperation of the industrial parks operation business based on the consulting business, give full play to the multiple advantages of the Group in terms of its professional capacities, drive the collaborative development of related industrial resources including the smart industrial parks, regional energy, shared office, entrepreneurship investment, design and engineering, and create a new mode of long tail operation.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was RMB751.3 million, representing a decrease of 42.4% as compared to the same period of 2017.

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

	Years ended 30 June			
	2018		2017	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Industrial Park Space Services	**309,774**	**41.2%**	984,850	75.5%
Sales of Industrial Park	**236,378**	**31.5%**	899,325	69.0%
Industrial Park Leasing	**68,793**	**9.2%**	53,686	4.1%
Sales of Ancillary Residential Properties	**4,603**	**0.5%**	31,840	2.4%
Industrial Park Operation Services	**441,525**	**58.8%**	319,380	24.5%
Design and Construction Services	**174,289**	**23.2%**	143,734	11.0%
Property Management Service	**139,586**	**18.6%**	104,901	8.1%
Energy Services	**21,263**	**2.8%**	16,139	1.2%
Others	**106,387**	**14.2%**	54,606	4.2%
Total	**751,299**	**100.0%**	1,304,230	100.0%

Cost of Sales

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); and (ii) cost of industrial park operation services.

During the Reporting Period, cost of sales of the Group amounted to RMB477.6 million, representing a decrease of RMB341.4 million or 41.7% over the same period in 2017, primarily due to a decrease in the area of delivered properties during the current period.

Gross Profit and Gross Profit Margin

During the Reporting Period, the overall gross profit of the Group was RMB273.7 million, representing a decrease of RMB211.5 million as compared with the same period in 2017. Overall gross profit margin was 36.4%, recording a decrease by 0.8% as compared to 37.2% of the same period of 2017, mainly due to the decrease of revenue proportion of Hefei Financial Harbour project and Wuhan Creative Capital project as compared with the same period in 2017 while both projects have relatively high gross profit margin.

Other Income and Gains/(Losses) – net

During the Reporting Period, other income and gains/(losses) – net of the Group was the net revenue of RMB55.0 million, representing an increase of RMB62.2 million as compared with the net loss of RMB7.2 million in the same period of 2017, primarily due to: (i) gains from disposal of investment properties in Qingdao during the current period; and (ii) gains from diluted shareholding in Easylinkin Technology resulting from new equity financing during the current 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, the selling and distribution expenses of the Group was RMB36.7 million, representing a decrease of RMB4.3 million as compared with the same period in 2017, primarily due to a decrease in advertising and promotional expenses with many projects of the Group are under construction or proposed to construct during the current period.

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 RMB119.0 million, representing an increase of RMB3.5 million as compared with the same period in 2017 mainly due to additional subsidiaries of the Group during the current period as compared with the same period in 2017.

Fair Value Changes on Investment Properties

During the Reporting Period, fair value gains on the Group's investment properties was RMB28.4 million, representing a decrease of RMB79.1 million as compared with the same period in 2017, primarily due to (i) a decrease in the area of investment properties newly added by the Group during the current period as compared with the same period in last year; and (ii) transfer out of fair value change resulting from the disposal of investment properties in Qingdao during the current period.

Finance Income

During the Reporting Period, finance income of the Group was RMB47.8 million, representing an increase of RMB18.4 million as compared with the same period in 2017, primarily due to an increase of interest income on deposits of the Company during the current period.

Finance Costs

During the Reporting Period, finance costs of the Group were RMB85.4 million, representing an increase of RMB36.0 million as compared with the same period in 2017, primarily due to the increase of interest bearing liabilities of the Group during the current period.

Share of Profit of Associates

Share of profits of associates of the Group was RMB10.1 million, representing a decrease of RMB10.7 million as compared with the same period in 2017, which primarily consisted of the Group's share of profits of its associate, Hainan Software Community.

Share of Profit of Joint Ventures

The Group had a share of profit of joint ventures of RMB10.6 million for the six months ended 30 June 2018, which primarily consisted of the Group's share of profits of Hengqin China Electronics Youpu.

Income Tax Expense

During the Reporting Period, income tax expense of the Group was RMB70.4 million, representing a decrease of RMB140.8 million as compared with the same period in 2017, which was primarily due to (i) a decrease in PRC land appreciation tax expense of RMB53.2 million resulting from the Group's low income from sales of industrial park in the first half of the year; (ii) a decrease in PRC corporate income tax expense of RMB66.3 million; (iii) a decrease in deferred tax expense of RMB25.5 million; and (iv) an increase in withholding tax of RMB4.2 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 RMB103.3 million, representing a decrease of RMB83.3 million as compared with the same period in 2017. After deduction of the post-tax fair value gains on investment properties, the core net profit as at 30 June 2018 was approximately RMB92.7 million, representing a decrease of 32.5% as compared with the RMB137.3 million in the same period of 2017.

FINANCIAL POSITION

Properties under Development

The carrying amount of properties under development of the Group increased by RMB465.3 million from RMB1,969.3 million as at 31 December 2017 to RMB2,434.6 million as at 30 June 2018, primarily due to the properties under development newly added by the Group during the current period, such as Changsha China Electronics Industrial Park, Chengdu Chip Valley and Shanghai Huayue (上海華悅).

Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the Group increased by RMB66.2 million from RMB2,296.8 million as at 31 December 2017 to RMB2,362.9 million as at 30 June 2018, primarily due to less in area of booked income recorded by the Group during the first half of the year, which resulted in a smaller 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 RMB300.4 million from RMB1,944.8 million as at 31 December 2017 to RMB2,245.2 million as at 30 June 2018, which primarily due to the amounts from Excellence Ningbo Optics Valley Real Estate Co., Ltd.* (卓越光谷（寧波）置業有限公司) newly added by the Group during the current period.

Trade and Other Payables

The Group's trade and other payables decreased by RMB233.3 million from RMB2,213.2 million as at 31 December 2017 to RMB1,979.9 million as at 30 June 2018, primarily due to the settlement of part of construction payables by the Group in the first half of 2018.

Liquidity and Capital Resources

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

In the first half of 2018, the Group's net cash outflow from operating activities was RMB507.0 million, which was mainly because the Group increased the land expenses of Chengdu Chip Valley and Changsha CEC Software Park project. Meanwhile, cash inflow from industrial park space services decreased due to the adjustment to the Group's sales pattern in the first half of 2018.

In the first half of 2018, the Group's net cash inflow from financing activities was RMB840.3 million. Cash inflow from financing activities mainly came from bank borrowings and other borrowings.

KEY FINANCIAL RATIOS

Current Ratio

Current ratio of the Group, representing total current assets divided by total current liabilities, decreased from 2.34 as at 31 December 2017 to 1.97 as at 30 June 2018, mainly due to the increase in the current liabilities amid the increase in interest-bearing liabilities of the Group.

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 19.1% as at 31 December 2017 to 38.2% as at 30 June 2018, primarily attributable to the increase in interest-bearing liabilities for the current period and the decrease of total cash.

Indebtedness

The Group's total outstanding indebtedness increased by RMB790.0 million from RMB3,668.7 million as at 31 December 2017 to RMB4,458.7 million as at 30 June 2018.

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 2017 and 30 June 2018, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB770.6 million and RMB389.1 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 RMB9,387.1 million as at 30 June 2018, as compared to RMB9,149.5 million as at 31 December 2017. As at 31 December 2017 and 30 June 2018, total cash and cash equivalents of the Group amounted to approximately RMB2,133.6 million and RMB1,556.0 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 RMB4,754.6 million as at 30 June 2018, as compared to RMB3,903.7 million as at 31 December 2017.

As at 30 June 2018, the Group had net current assets of approximately RMB4,632.6 million as compared to RMB5,245.8 million as at 31 December 2017. The decrease in net current assets of the Group was primarily due to the increase in current liabilities over current assets during the current period.

Capital Expenditure and Capital Commitment

During the Reporting Period, capital expenditure of the Group was RMB29.3 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 2018, the Group's outstanding commitments related to property development expenditure and investment was RMB1,000.8 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 2018, the Group had 6,400 full-time employees. The employment cost of the Group was approximately RMB206.7 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 of an amount ranging from 18.0% to 20.0% 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.

The Group advocates the motto "make learning a way of working", and respects employees' self-development and career planning. Rooted on construction and development of strong human resources, we built a scientific personnel training system and employee development mechanism, which is classified into the seven major categories of new employee training, Stars of Optics Valley training, departmental training, professional topics training, reserve cadre training, management training, expatriate training and network training based on different training targets and purposes. Through this unique hierarchical training system, we carry out targeted and personalized trainings for our employees to expedite their learning of requisite skills for their positions, and achieve growth in line with their personal development plans.

PLEDGED ASSETS

As at 30 June 2018, outstanding bank borrowings and corporate bonds have been secured by certain assets of the Group with a total net book value of RMB1,985.1 million, 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 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 RMB3,005.7 million as at 30 June 2018. The Group undertakes debt obligations to support its property development and general working capital needs. Soaring interest rates may increase the finance costs of the Group. 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 the financial condition and results of operations of the Group. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

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.

EVENT AFTER BALANCE SHEET DATE

For the major events that occurred after the balance sheet date, please refer to note 31 to Consolidated Financial Statements on page 89.

The Directors are pleased to present their report together with the unaudited interim results of the Group for the six months ended 30 June 2018.

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 81,868,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$53,601,440. On 10 January 2018 and 29 May 2018, the Company cancelled 13,244,000 Shares and 57,708,000 Shares, respectively, being Shares repurchased during the period between 19 December 2017 and 18 May 2018. On 19 July 2018, the Company cancelled 24,160,000 Shares repurchased, being all of the uncancelled Shares repurchased during the Reporting Period.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest (HK$)	Lowest (HK$)	Aggregate consideration (HK$)
January 2018	1,300,000	0.72	0.72	936,000
March 2018	8,508,000	0.68	0.64	5,655,480
April 2018	10,344,000	0.68	0.65	6,950,760
May 2018	46,492,000	0.66	0.64	30,094,000
June 2018	15,224,000	0.67	0.63	9,965,200
	81,868,000			53,601,440

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 2018.

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

Ms. Wang Qiuju
Mr. Xiang Qunxiong
Mr. Zhang Jie
Ms. Sun Ying *(appointed as non-executive Director on 22 March 2018 and re-elected on 14 June 2018)*

Independent non-executive Directors

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

There is no change of information of the Directors that is required to be disclosed under Rule 13.51B(1) of the Listing Rules since the publication of the Company's annual report for the year ended 31 December 2017, except for Mr. Huang Liping ceasing to be the vice-president of Wuhan General Chamber of Commerce (武漢市總商會), Wuhan Enterprise Confederation (武漢市企業聯合) and Wuhan Real Estate Development Business Association (武漢房地產開發企業協會).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares 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 2018, 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) required to be 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	Interest in controlled corporation	1,779,052,000(3)	23.28%
Mr. Hu Bin	Beneficial owner	70,320,000(4)	0.92%

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 2018, i.e., 7,642,372,000. A total number of 81,868,000 Shares were repurchased by the Company during the period from January to June 2018. On 10 January 2018 and 29 May 2018, the Company cancelled 3,244,000 Shares and 57,708,000 Shares, respectively, being Shares repurchased during the period between 19 December 2017 and 18 May 2018. On 19 July 2018, the Company cancelled 24,160,000 Shares repurchased, being all of the uncancelled Shares repurchased during the Reporting Period.

(3) Mr. Huang Liping held 100% equity interests in each of AAA Finance and Lidao BVI. Under the SFO, Mr. Huang Liping was deemed to be interested in 1,659,052,000 Shares held by AAA Finance and 120,000,000 Shares held by Lidao BVI.

(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 2018, 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) required to be 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 2018, 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)]	33.37%
China Electronics Huada Technology Company Limited ("CE Huada Technology")	Interest in controlled corporation	2,550,000,000[(4)]	33.37%
AAA Finance	Beneficial owner	1,659,052,000[(5)]	21.71%
Technology Investment HK	Beneficial owner	479,910,000	6.28%
Hubei Science & Technology Investment	Interest in controlled corporation	479,910,000[(6)]	6.28%
China International Capital Corporation Hong Kong Securities Limited	Person having a security interest in shares	382,518,000	5.01%
China International Capital Corporation (Hong Kong) Limited	Interest in controlled corporation	382,518,000[(7)]	5.01%
China International Capital Corporation Limited	Interest in controlled corporation	382,518,000[(8)]	5.01%

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 2018, i.e., 7,642,372,000. A total number of 81,868,000 Shares were repurchased by the Company during the period from January to June 2018. On 10 January 2018 and 29 May 2018, the Company cancelled 13,244,000 Shares and 57,708,000 Shares, respectively, being Shares repurchased during the period between 19 December 2017 and 18 May 2018. On 19 July 2018, the Company cancelled 24,160,000 Shares repurchased, being all of the uncancelled Shares repurchased during the Reporting Period.

(3) These Shares were held by CEC Media. CEC Media was a wholly-owned subsidiary of CE Huada Technology. As CE Huada Technology 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 is a wholly-owned subsidiary of CE Huada Technology. Under the SFO, CE Huada Technology 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) Such 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.

(7) China International Capital Corporation Hong Kong Securities Limited owned security interest in such Shares. China International Capital Corporation (Hong Kong) Limited held 100% equity interest in China International Capital Corporation Hong Kong Securities Limited. Under the SFO, China International Capital Corporation (Hong Kong) Limited was deemed to be interested in all the Shares held by China International Capital Corporation Hong Kong Securities Limited.

(8) China International Capital Corporation Limited held 100% equity interest in China International Capital Corporation (Hong Kong) Limited, which in turn held 100% equity interest in China International Capital Corporation Hong Kong Securities Limited. Under the SFO, China International Capital Corporation Limited was deemed to be interested in the security interest of Shares held by China International Capital Corporation Hong Kong Securities Limited.

Save as disclosed above, as at 30 June 2018, 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 the shareholders of the Company ("Shareholders") and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 any deviation from code provision A.2.1.

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

Mr. Huang Liping, as the chairman, is responsible for ensuring that the Directors will receive adequate information in a timely manner, that good corporate governance practices are established and followed, that all Directors make full and active contribution to the Board's affairs. Mr. Huang Liping also takes the lead to ensure that the Board acts in the best interests of the Company and that there is effective communication with the shareholders 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiries 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 2018, the Group had 6,400 employees in Hong Kong and the PRC. For the six months ended 30 June 2018, the staff cost of the Group was approximately RMB206.7 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.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code, and comprises three members, namely Mr. Leung Man Kit (independent non-executive Director), Ms. Wang Qiuju (non-executive Director) and Mr. Qi Min (independent non-executive Director). The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2018.

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

Wuhan, the PRC
23 August 2018

Review Report on Interim Financial Information

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 89, which comprises the interim condensed 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 2018 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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, 23 August 2018

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

	Notes	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenue	7	**751,299**	1,304,230
Cost of sales		**(477,587)**	(819,032)
Gross profit		**273,712**	485,198
Other income and gains/(losses) – net	8	**54,960**	(7,189)
Selling and distribution expenses		**(36,690)**	(41,047)
Administrative expenses		**(118,954)**	(115,478)
Other expenses		**(191)**	(52)
Operating profit before changes in fair value of investment properties		**172,837**	321,432
Fair value gains on investment properties	14	**28,422**	107,492
Operating profit after changes in fair value of investment properties		**201,259**	428,924
Finance income	9	**47,816**	29,457
Finance costs	9	**(85,396)**	(49,418)
Net finance costs		**(37,580)**	(19,961)
Share of profits of associates	15	**10,118**	20,853
Share of profits/(losses) of joint ventures	16	**10,556**	(754)
Profit before income tax		**184,353**	429,062
Income tax expense	10	**(70,375)**	(211,179)
Profit for the period		**113,978**	217,883
Profit attributable to:			
— Owners of the Company		**103,264**	186,586
— Non-controlling interests		**10,714**	31,297
Profit for the period		**113,978**	217,883
Basic and diluted earnings per share (RMB cents)	12	**1.34**	2.38

The notes on pages 45 to 89 form an integral part of this interim financial information.

Interim Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	**113,978**	217,883
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	**(230,788)**	(8,653)
Other comprehensive loss for the period, net of tax	**(230,788)**	(5,480)
Total comprehensive (loss)/income for the period	**(116,810)**	212,403
Attributable to:		
— Owners of the Company	**(127,524)**	181,106
— Non-controlling interests	**10,714**	31,297
Total comprehensive (loss)/income for the period	**(116,810)**	212,403

The notes on pages 45 to 89 form an integral part of this interim financial information.

Interim Consolidated Statement of Financial Position

	Note	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	355,550	354,267
Investment properties	14	2,399,030	2,317,890
Land use rights		3,429	3,464
Intangible assets		6,663	6,297
Investments in associates	15	1,345,079	1,267,909
Investments in joint ventures	16	453,148	143,431
Financial assets at fair value through profit or loss	4, 6	12,000	—
Available-for-sale financial assets		—	12,000
Trade and other receivables	20	159,590	75,833
Deferred income tax assets		35,752	37,515
		4,770,241	4,218,606
Current assets			
Properties under development	17	2,434,554	1,969,272
Completed properties held for sale	18	2,362,934	2,296,780
Inventories and contracting work-in-progress	19	44,485	308,844
Trade and other receivables	20	2,085,660	1,868,990
Current income tax assets		14,892	11,132
Financial assets at fair value through profit or loss	4, 6	152,017	—
Available-for-sale financial assets		—	180,000
Contract assets	4, 23	334,739	—
Deposits in banks with original maturities over three months		45,534	72,228
Restricted cash	21	356,261	308,628
Cash and cash equivalents	22	1,556,049	2,133,597
		9,387,125	9,149,471
Current liabilities			
Contract liabilities	4, 23	487,167	—
Trade and other payables	24	1,979,897	2,213,237
Corporate bonds	25	73,728	26,368
Bank and other borrowings	26	1,843,031	1,357,880
Dividend payable		128,866	—
Current income tax liabilities		236,805	300,614
Current portion of deferred income		5,084	5,565
		4,754,578	3,903,664
Net current assets		4,632,547	5,245,807
Total assets less current liabilities		9,402,788	9,464,413

	Note	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Non-current liabilities			
Corporate bonds	25	**1,379,278**	1,372,780
Bank and other borrowings	26	**1,162,709**	911,623
Deferred income tax liabilities		**262,379**	269,184
Non-current portion of deferred income		**45,752**	50,081
		2,850,118	2,603,668
Net assets		**6,552,670**	6,860,745
Equity			
Share capital	27	**628,735**	634,716
Treasury shares	27	**(126,973)**	(122,469)
Reserves		**3,016,386**	3,390,702
Retained profits		**2,164,014**	2,100,562
Total equity attributable to owners of the Company		**5,682,162**	6,003,511
Non-controlling interests		**870,508**	857,234
Total equity		**6,552,670**	6,860,745
Total equity and non-current liabilities		**9,402,788**	9,464,413

The notes on pages 45 to 89 form an integral part of this interim financial information.

Interim Consolidated Statement of Changes in Equity

		Attributable to Owners of the Company											
	Note	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 2018		634,716	(122,469)	2,200,925	212,805	34,894	339,189	602,889	3,390,702	2,100,562	6,003,511	857,234	6,860,745
Adjustment of adoption of IFRS 9, net of tax	4	–	–	–	–	–	–	–	–	(47,147)	(47,147)	(2,631)	(49,778)
Adjustment of adoption of IFRS 15, net of tax	4	–	–	–	–	–	–	–	–	7,335	7,335	2,295	9,630
At 1 January 2018 (restated)		634,716	(122,469)	2,200,925	212,805	34,894	339,189	602,889	3,390,702	2,060,750	5,963,699	856,898	6,820,597
Total comprehensive income for the period ended 30 June 2018		–	–	–	(230,788)	–	–	–	(230,788)	103,264	(127,524)	10,714	(116,810)
Transactions with non-controling interest		–	–	–	–	–	7,560	–	7,560	–	7,560	–	7,560
Capital injection from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	9,435	9,435
Dividends	11	–	–	(124,526)	–	–	–	–	(124,526)	–	(124,526)	(3,600)	(128,126)
Repurchase of shares	27	(5,981)	(4,504)	(33,184)	–	–	–	–	(33,184)	–	(43,669)	–	(43,669)
Cancellation of certain subsidiaries		–	–	–	–	–	(15,903)	22,525	6,622	–	6,622	(2,939)	3,683
Total transactions with owners, recognised directly in equity		(5,981)	(4,504)	(157,710)	–	–	(8,343)	22,525	(143,528)	–	(154,013)	2,896	(151,117)
Balance at 30 June 2018		628,735	(126,973)	2,043,215	(17,983)	34,894	330,846	625,414	3,016,386	2,164,014	5,682,162	870,508	6,552,670

		Attributable to Owners of the Company											
	Note	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		–	–	–	–	–	–	–	–	–	–	53,130	53,130
Capital injection from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	106,097	106,097
Dividends	11	–	–	(143,122)	–	–	–	–	(143,122)	–	(143,122)	–	(143,122)
Repurchase of shares	27	–	(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

The notes on pages 45 to 89 form part of this interim financial information

Interim Consolidated Cash Flow Statement

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(380,604)	342,565
Income tax paid		(126,358)	(219,895)
Cash flows (used in)/generated from operating activities		(506,962)	122,670
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash received		(212,647)	(34,632)
Investments in associates	15	(37,102)	(187,538)
Investments in joint ventures	16	(333,018)	(25,500)
Proceeds from disposal of a subsidiary, net of cash disposed		—	139,856
Proceeds from disposal of a joint venture		—	20,000
Prepayments for acquisition of equity interests in property development companies		—	(2,048)
Withdrawal of prepayments for acquisition of equity interests in property development company		—	70,000
Dividends received from joint ventures		4,903	—
Purchase of property, plant and equipment		(28,391)	(1,167)
Proceeds from disposal of property, plant and equipment		34	44,148
Purchase of intangible assets		(924)	(626)
Proceeds used in contruction of investment properties		(11,277)	(17,198)
Proceeds from disposal of investment properties		43,966	11,577
Proceeds from disposal of financial assets at fair value through profit or loss		576,921	7,715
Purchase of financial assets at fair value through profit or loss		(548,938)	—
Loans to related parties and third parties		(461,521)	(238,892)
Loans repaid from related parties and third parties		54,200	51,400
Interest received		40,434	35,310
Cash flows used in from investing activities		(913,360)	(127,595)

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Capital injection by non-controlling interests		9,435	106,097
Repurchase of shares	27	(43,669)	(20,888)
Dividends paid to shareholders		—	(143,122)
Proceeds from bank and other borrowings	26	1,478,000	1,053,000
Repayment of bank and other borrowings	26	(743,670)	(959,740)
Proceeds from loans due to related parties and third paries		298,356	200,000
Repayment of loans due to related parties and third paries		(60,000)	(134,716)
Increase in restricted cash		(47,633)	(56,101)
Decrease in deposits in banks with original maturities over three months		26,694	—
Interest paid		(77,209)	(44,695)
Cash flows generated from/(used in) financing activities		840,304	(165)
Net decrease in cash and cash equivalents		(580,018)	(5,090)
Cash and cash equivalents at beginning of the period		2,133,597	1,812,583
Effect of foreign exchange rate changes		2,470	33
Cash and cash equivalents at end of the period		1,556,049	1,807,526

The notes on pages 45 to 89 form 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 has its listing on The Stock Exchange of Hong Kong Limited.

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

The interim financial information was approved for issue on 23 August 2018 and has been reviewed, not audited.

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 2017, 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 2017 as described in those annual financial statements, except for the adoption of new and amended standards as set out below:

3 ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current Reporting Period and the Group had to change its accounting policies and make retrospective adjustments as result of adopting the following standards:

- IFRS 9 "Financial Instruments", and
- IFRS 15 "Revenue from Contracts with Customers".

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) The following new and amended standards that have been issued and are effective for the financial year beginning on 1 January 2018 and have not been early adopted

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contract	1 January 2021
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB4,127,000 as lessee. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

The Group has already commenced an assessment of the impact of the other new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

4 CHANGE IN ACCOUNTING POLICY

(a) Impact on the financial statements

As explained in Note 4(b) below, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from adopting the new standards are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item.

Statement of financial position	**31 Dec 2017 As originally presented** RMB'000	**Impact from IFRS 9** RMB'000	**Impact from IFRS 15** RMB'000	**1 Jan 2018 Restated** RMB'000
Non-current assets				
Property, plant and equipment	354,267	—	—	354,267
Investment properties	2,317,890	—	—	2,317,890
Land use rights	6,297	—	—	6,297
Intangible assets	3,464	—	—	3,464
Investments in associates	1,267,909	—	—	1,267,909
Investments in joint ventures	143,431	—	—	143,431
Financial assets at fair value through profit or loss	—	12,000	—	12,000
Available-for-sale financial assets	12,000	(12,000)	—	—
Trade and other receivables	75,833	—	—	75,833
Deferred income tax assets	37,515	13,064	—	50,579
	4,218,606	13,064	—	4,231,670
Current assets				
Properties under development	1,969,272	—	(26,710)	1,942,562
Completed properties held for sale	2,296,780	—	—	2,296,780
Inventories and contracting work-in-progress	308,844	—	(275,694)	33,150
Trade and other receivables	1,868,990	(47,503)	—	1,821,487
Current income tax assets	11,132	—	—	11,132
Financial assets at fair value through profit or loss	—	180,000	—	180,000
Contract assets	—	(15,339)	286,816	271,477
Available-for-sale financial assets	180,000	(180,000)	—	—
Deposits in banks with original maturities over three months	72,228	—	—	72,228
Restricted cash	308,628	—	—	308,628
Cash and cash equivalents	2,133,597	—	—	2,133,597
	9,149,471	(62,842)	(15,588)	9,071,041

4 CHANGE IN ACCOUNTING POLICY (Continued)

(a) Impact on the financial statements (Continued)

Statement of financial position	31 Dec 2017 As originally presented RMB'000	Impact from IFRS 9 RMB'000	Impact from IFRS 15 RMB'000	1 Jan 2018 Restated RMB'000
Current liabilities				
Contract liabilities	—	—	235,694	235,694
Trade and other payables	2,213,237	—	(266,138)	1,947,099
Corporate bonds	26,368	—	—	26,368
Bank and other borrowings	1,357,880	—	—	1,357,880
Current income tax liabilities	300,614	—	2,016	302,630
Current portion of deferred income	5,565	—	—	5,565
	3,903,664	—	(28,428)	3,875,236
Non-current liabilities				
Corporate bonds	1,372,780	—	—	1,372,780
Bank and other borrowings	911,623	—	—	911,623
Deferred income tax liabilities	269,184	—	3,210	272,394
Non-current portion of deferred income	50,081	—	—	50,081
	2,603,668	—	3,210	2,606,878
Net assets	6,860,745	(49,778)	9,630	6,820,597
Equity				
Share capital	634,716	—	—	634,716
Treasury shares	(122,469)	—	—	(122,469)
Reserves	3,390,702	—	—	3,390,702
Retained profits	2,100,562	(47,147)	7,335	2,060,750
Total equity attributable to owners of the Company	6,003,511	(47,147)	7,335	5,963,699
Non-controlling interests	857,234	(2,631)	2,295	856,898
Total equity	6,860,745	(49,778)	9,630	6,820,597

4 CHANGE IN ACCOUNTING POLICY (Continued)

(b) IFRS 9 "Financial Instruments" – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4(c) below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	**For the six months ended 30 June 2018** RMB'000
Closing retained earnings 31 December – IAS 39/IAS 18		2,100,562
Reclassify investments from available-for-sale to FVPL	(1)	—
Increase in provision for trade and other receivables and contract assets	(2)	(62,843)
Increase in deferred tax assets relating to impairment provisions	(2)	13,065
Decrease in non-controlling interests		2,631
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		(47,147)
Opening retained earnings 1 January – IFRS 9 (before restatement for IFRS 15)		2,053,415

4 CHANGE IN ACCOUNTING POLICY (Continued)

(b) IFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(1) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed and has classified its financial instruments into the appropriate categories according to IFRS 9. As at 1 January 2018, the Group's investments in unlisted securities amounting to RMB12,000,000 were reclassified from available-for-sale to financial assets at fair value through profit or loss based on the business model applied to such financial assets; while the Group's investments in wealth management products amounting to RMB180,000,000 were reclassified from available-for-sale to financial assets at fair value through profit or loss as their cash flows do not represent solely payments of principal and interest.

The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Notes	**Fair value through profit or loss** RMB'000
Closing balance 31 December 2017 – IAS 39		–
Reclassify investments from available-for-sale to financial assets at fair value through profit or loss	(i)	192,000
Opening balance 1 January 2018 – IFRS 9		192,000

The impact to the retained earnings on 1 January 2018 was insignificant as the related fair value reserve was negligible. During the six months ended 30 June 2018, net fair value gains relating to these investments were also negligible.

(2) Impairment of financial assets

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables from revenue
- contract assets relating to property development and construction contracts, and
- other financial assets carried at amortised cost

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 4(b) above.

While bill receivables, deposits in banks with original maturities over three months, restricted cash and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

4 CHANGE IN ACCOUNTING POLICY (Continued)

(b) IFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(2) Impairment of financial assets (Continued)

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables.

RMB'000	Up to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year	Total
At 1 January 2018						
Expected loss rate	—	1.50%	3.00%	4.50%	10.00%	
Gross carrying amount	211,432	25,538	31,409	4,699	280,919	553,997
Loss allowance provision	—	384	942	211	28,092	29,629

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Expected loss rate of contract assets is assessed to be 5.35% as at 31 December 2017, and the loss of allowance provision of contract assets amounted to RMB15,339,000 as at 31 December 2017.

4 CHANGE IN ACCOUNTING POLICY (Continued)

(b) IFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(2) Impairment of financial assets (Continued)

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Contract assets RMB'000	Trade receivables RMB'000
At 31 December 2017 – calculated under IAS 39	—	—
Amounts restated through opening retained earnings	15,339	29,629
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	15,339	29,629

The loss allowances decreased by RMB5,736,000 to RMB23,893,000 for trade receivables and increased by RMB1,458,000 to RMB16,797,000 for contract assets during the six months to 30 June 2018. The increase would have been RMB4,278,000 lower under the incurred loss model of IAS 39.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

Other financial assets carried at amortised cost

Other financial assets at amortised cost mainly include loans to third parties, loans to related parties and other receivables (excluding prepayments). Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB17,874,000 on 1 January 2018 (previous loss allowance was nil) and a further increase in the allowance by RMB3,973,000 in the six months ending 30 June 2018.

4 CHANGE IN ACCOUNTING POLICY (Continued)

(c) IFRS 9 "Financial Instruments" – Accounting policies applied from 1 January 2018

(1) Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4 CHANGE IN ACCOUNTING POLICY (Continued)

(c) IFRS 9 "Financial Instruments" – Accounting policies applied from 1 January 2018 (Continued)

(1) Investments and other financial assets (Continued)

(ii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

4 CHANGE IN ACCOUNTING POLICY (Continued)

(c) IFRS 9 "Financial Instruments" – Accounting policies applied from 1 January 2018 (Continued)

(1) Investments and other financial assets (Continued)

(ii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules modified retrospectively and has restated the retained earnings as at 1 January 2018, while comparatives for the 2017 financial year have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018).

4 CHANGE IN ACCOUNTING POLICY (Continued)

(d) IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption (Continued)

	Notes	IAS 18 carrying amount* 31 December 2017	Reclassification	Remeasurements	Offsetting	IFRS 15 carrying amount 1 January 2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	(1),(2),(3)	—	275,694	41,566	(30,444)	286,816
Properties under development	(2)	1,969,272	—	(26,710)		1,942,562
Contract liabilities	(2),(3)	—	266,138	—	(30,444)	235,694
Trade and other payables	(3)	2,213,237	(266,138)	—		1,947,099
Deferred tax liabilities	(1),(2)	269,184	—	3,210		272,394
Inventories and contracting work-in progress	(3)	308,844	(275,694)	–		33,150
Current income tax liabilities	(2)	300,614	—	2,016		302,630

* The amounts in this column are before the adjustments from the adoption of IFRS 9, in which the increase in the loss allowance for trade receivables and contract assets as stated in Note 4(b) above were not reflected.

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	For the six months ended 30 June 2018 RMB'000
Retained earnings – after IFRS 9 restatement (see Note 4(b))		2,053,415
Recognition of asset for costs to fulfil a contract	(1)	131
Recognition of asset for contact assets in relation with revenue recognised over time, before offsetting related contract liabilities	(2)	41,435
Decrease in properties under development in relation with revenue recognised over time	(2)	(26,710)
Increase in current income tax liabilities	(2)	(2,016)
Increase in deferred tax liabilities	(1)	(3,210)
Increase in non-controlling interests		(2,295)
Adjustment to retained earnings from adoption of IFRS 15 on 1 January 2018		7,335
Opening retained earnings 1 January – IFRS 9 and IFRS 15		2,060,750

4 CHANGE IN ACCOUNTING POLICY (Continued)

(d) IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption (Continued)

(1) Accounting for costs to fulfil a contract

In 2017, expense amounting to RMB131,000 relating to commissions paid for certain pre-sale contracts were expensed as they did not qualify for recognition as an asset under any of the other accounting standards. However, the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. They were therefore capitalised as costs to fulfil a contract following the adoption of IFRS 15 and included in contract assets in the statement of financial position on 1 January 2018. A deferred tax liability of RMB33,000 was recognised, resulting in net adjustment to retained earnings of RMB85,000. The asset is amortised on over the term of the specific contract it relates to and consistently with the pattern of recognition of the associated revenue. During the six months to 30 June 2018, the Group recognised amortization of RMB10,000, which increased cost of providing services by the same amount, reduced tax expense by RMB2,500 and decreased profit after tax by RMB7,500.

(2) Accounting for revenue from property development activities over time

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses. Under IFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

As at 31 December 2017, revenue from certain pre-sale property development contracts was satisfied to be recognised over time, which resulted in an increase in contract assets of RMB41,435,000 (representing RMB10,991,000 after offsetting with related contract liabilities amounting to RMB30,444,000 within the same contract) and a decrease in properties under development of RMB26,710,000. A deferred tax liability and a current tax liability of RMB3,177,000 and RMB2,016,000 were recognized respectively, resulting in net adjustment to retained earnings of RMB7,250,000..During the six months to 30 June 2018, the Group further recognised revenue from certain pre-sale property development contracts which were satisfied over time of RMB23,758,000, which increased contract assets by the same amount, reduced tax expense by RMB3,276,000 and increased profit after tax by RMB5,801,000.

4 CHANGE IN ACCOUNTING POLICY (Continued)

(d) IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption (Continued)

(3) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract assets recognised in relation to construction contracts were previously presented as part of inventory and contracting work-in-progress (RMB275,694,000 as at 1 January 2018, net of loss allowance).

- Contract liabilities in relation to construction contracts were previously included in trade and other payables (RMB266,138,000 as at 1 January 2018).

- Other current receivables and prepayments were previously presented together with trade receivables but are now presented as other financial assets at amortised cost (receivables) and other current assets (prepayments) in the balance sheet, to reflect their different nature.

(e) IFRS 15 "Revenue from Contracts with Customers" – Accounting policies

(1) Sales of properties and construction services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

4 CHANGE IN ACCOUNTING POLICY (Continued)

(e) IFRS 15 "Revenue from Contracts with Customers" – Accounting policies (Continued)

(1) Sales of properties and construction services (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(2) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

(3) Energy supply initial fee

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

(4) Service fee income

Service fee income in relation to design and development management services, property management service, advertising service and other ancillary services is recognised in the accounting period in which the services are rendered.

5 JUDGEMENTS AND ESTIMATES

The preparation of the 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 financial information, in addition to the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the 2017 Financial Statements, the following judgements and estimates were applied:

Judgements and estimates in revenue recognition for property development activities

The Group develops and sells residential and commercial properties in different countries. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or legal title of the completed property and the consideration amount is collected. The Group seldom provides long credit or payment terms to its property buyer.

Expected credit loss for receivables

The loss allowance provisions for trade and other receivables and contract assets are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 4(b)(2). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of profit or loss.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) *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 2017.

(b) *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.

For the six months ended 30 June 2018

	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	3,005,740	3,318,539	1,978,176	975,802	364,561
Corporate bonds	1,453,006	1,593,540	47,360	695,140	851,040
Trade and other payables (excluded receipts in advance and payroll)	1,930,340	1,930,340	1,930,340	—	—
Dividend payable	128,866	128,866	128,866	—	—
	6,517,952	6,971,285	4,084,742	1,670,942	1,215,601

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

For the year ended 31 December 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	More than 5 years RMB'000
Bank and other borrowings	2,269,503	2,424,238	1,450,303	521,547	427,250	25,138
Corporate bonds	1,399,148	1,641,320	95,140	695,140	851,040	—
Trade and other payables (excluded receipts in advance and payroll)	1,909,725	1,920,791	1,920,791	—	—	—
	5,578,376	5,986,349	3,466,234	1,216,687	1,278,290	25,138

(c) 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).

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) *Fair value estimation* (Continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets valued at fair value through profit or loss				
— Equity securities	—	—	12,000	12,000
— Wealth management products	—	—	152,017	152,017
	—	—	164,017	164,017

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities	—	—	12,000	12,000
— Wealth management products	—	—	180,000	180,000
	—	—	192,000	192,000

There were no changes in valuation techniques during the period.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) *Fair value estimation (Continued)*

Fair value measurements using significant unobservable input (Level 3)

	Financial assets at fair value through profit or loss Six months ended 30 June 2018 RMB'000	Available-for-sale financial assets 2017 RMB'000
Opening balance at 31 December 2017	—	16,000
Reclassification when adopting IFRS 9	192,000	—
Additions	548,937	182,000
Disposal	(576,920)	(6,000)
Closing balance at 30 June 2018	164,017	192,000
Recognised gains for the period included in "Other income and gains – net"	—	—

7 SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). In prior years, the Group had identified four segments, namely industrial park space services, industrial park operation services, design and construction services and industrial investment. During the first half of 2018, to better align with the Group's business strategy, the Group has combined the design and construction services segment into industrial park operation services segment, which represents the Group's comprehensive industrial park operation businesses. As a result of the above change, the segment information for the six months ended 30 June 2017 was re-presented for comparison purposes. At 30 June 2018, the Group has the following three segments:

- Industrial park space services: 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.

7 SEGMENT INFORMATION (Continued)

- Industrial investment: this segment represents the Group's industrial-related strategic investments in certain start-up companies. Management considers this segment not reportable as at 30 June 2018 as its revenue, profit or loss and assets are all less than 10% of those of the Group.

- Industrial park operation services: this segment provides services relating to the construction of a number of office and residential buildings for some of the Group's customers, project management and consultation service for the certain projects under construction, property management service, energy service, financing service and other services for industrial parks.

(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, depreciation and amortisation. 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 2018

	Industrial park space services RMB'000	Industrial park operation services RMB'000	Total RMB'000
Segment revenue	311,082	565,192	876,274
Inter-segment revenue	(1,308)	(123,667)	(124,975)
Revenue from external customers	309,774	441,525	751,299
Segment results	163,892	33,123	197,015
Depreciation and amortisation	(10,376)	(13,802)	(24,178)

7 SEGMENT INFORMATION (Continued)

(a) *Segment results (Continued)*

For the six months ended 30 June 2017

	Industrial park space services RMB'000	Industrial park operation services RMB'000	Total RMB'000
Segment revenue	990,432	401,665	1,392,097
Inter-segment revenue	(5,582)	(82,285)	(87,867)
Revenue from external customers	984,850	319,380	1,304,230
Segment results	316,248	22,595	338,843
Depreciation and amortisation	(9,376)	(8,035)	(17,411)

7 SEGMENT INFORMATION (Continued)

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue		
Segment revenue	**876,274**	1,392,097
Elimination of inter-segment revenue	**(124,975)**	(87,867)
Revenue	**751,299**	1,304,230
Profits		
Segment profits derived from Group's external customers	**197,015**	338,843
Fair value gains on investment properties	**28,422**	107,492
Share of profits of associates	**10,118**	20,853
Share of profit/(losses) of joint ventures	**10,556**	(754)
Finance income	**47,816**	29,457
Finance costs	**(85,396)**	(49,418)
Depreciation and amortisation	**(24,178)**	(17,411)
Income tax expense	**(70,375)**	(211,179)
Profit for the period	**113,978**	217,883

8 OTHER INCOME AND OTHER GAINS/(LOSS) – NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Gains from deemed partial disposal (a)	**29,950**	29,474
Gain on disposal of investment properties	**19,718**	—
Loss on disposal of a joint venture	**—**	(51,423)
Net gains on disposal of property, plant and equipment	**33**	10,137
Others	**5,259**	4,623
	54,960	(7,189)

(a) During the period, Wuhan Easylinkin Technology Co., Ltd. ("Easylinkin Technology"), an associate of the Group, enlarged its registered capital from RMB2.6 million to RMB36.6 million. Out of the new registered capital of Easylinkin Technology, RMB1.25 million was contributed by the Group with cash amounting to RMB20 million, while the remaining new registered capital was contributed by certain independent investors with cash amounting to RMB210 million. Upon the completion of these transactions, the Group's equity interest in Easylinkin Technology was diluted from 31.5% to 24.9%, while the Group still retains significant influence in Easylinkin Technology. A gain from the deemed partial disposal arising from the reduced equity interest in Easylinkin Technology amounting to RMB29,950,000 was therefore recognised by the Group.

9 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(a) Finance income/(costs):		
Finance income:		
Interest income	**20,992**	11,238
Interest income from entrusted loans to associates (Note 30(b(ii)))	**14,843**	16,504
Income from wealth management products	**1,241**	1,715
Net foreign exchange gain	**10,740**	—
Sub-total	**47,816**	29,457
Finance costs:		
Interest expenses	**(137,773)**	(65,687)
Capitalised interest expenses	**52,377**	16,271
	(85,396)	(49,416)
Net foreign exchange losses	**–**	(2)
Sub-total	**(85,396)**	(49,418)
Net finance costs	**(37,580)**	(19,961)

9 PROFIT BEFORE INCOME TAX (Continued)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(b) Staff costs:		
Salaries, wages and other benefits	**193,747**	152,620
Contributions to defined contribution retirement schemes	**12,918**	10,991
	206,665	163,611

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(c) Other items:		
Depreciation	**23,332**	17,012
Amortisation	**846**	399
Cost of properties sold	**111,905**	546,859
Cost of construction and goods sold	**143,660**	131,548
Rentals income from investment properties	**(71,533)**	(54,777)
Gains on disposal of subsidiaries	**—**	(8,118)
Operating lease charges	**2,547**	382

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax		
PRC Corporate Income Tax ("CIT")	**24,765**	91,036
PRC Land Appreciation Tax ("LAT")	**33,541**	86,770
Withholding Tax	**4,243**	—
	62,549	177,806
Deferred income tax	**7,826**	33,373
	70,375	211,179

(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 2017: 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.

10 INCOME TAX EXPENSE (Continued)

(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 2018, 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, except for retained earnings amounting to RMB84,850,000 in total would be distributed to their overseas holding companies due to internal restructuring and resulted in withholding taxes of RMB4,242,500, the directors considered that the retained earnings of the PRC subsidiaries as at 30 June 2018 would not be distributed to their overseas holding companies in the foreseeable future and thus no deferred tax liability was provided accordingly.

11 DIVIDENDS

The board of directors does not recommend the distribution of any interim dividend for the six months ended 30 June 2018.

12 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 RMB103,264,000 (six months ended 30 June 2017: RMB186,586,000). The weighted average number of ordinary shares for the six months ended 30 June 2018 is approximately 7,689,078,541 (six months ended 30 June 2017: 7,846,779,270).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2018 and the six months ended 30 June 2017 and therefore, diluted earnings per share equals to basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	**354,267**	407,575
Acquisition of subsidiaries	**—**	11,476
Other additions	**28,391**	1,167
Disposal of a subsidiary	**—**	(55,414)
Transfer to investment properties	**—**	(832)
Other disposals	**(3,776)**	(34,011)
Depreciation	**(23,332)**	(17,012)
End of the period	**355,550**	312,949

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

14 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	**2,317,890**	2,220,540
Transfer from completed properties held for sale	**65,689**	94,835
Transfer from Property, plant and equipment		
— Net book value	**—**	832
— Revaluation surplus	**—**	4,230
Other additions	**11,277**	17,198
Fair value gains	**28,422**	107,492
Disposal of a subsidiary	**—**	(381,500)
Transfer to non-current assets classified as held for sale	**—**	(25,400)
Other disposal	**(24,248)**	(11,577)
End of the period	**2,399,030**	2,026,650

Investment properties comprise a number of commercial and residential properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1 years to 20 years.

The Group's investment properties carried at fair value were revalued as at 30 June 2018 by DTZ Cushman & Wakefield ("DTZ"), an independent firm of surveyors. The valuation were carried out by DTZ 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, DTZ 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 2018, a total gain of RMB28,422,000 (six months ended 30 June 2017: RMB107,492,000), and deferred tax thereon of RMB7,105,500 (six months ended 30 June 2017: RMB26,873,000), were recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

14 INVESTMENT PROPERTIES (Continued)

As at 30 June 2018, certain investment properties of the Group with carrying value of RMB320,120,000 (31 December 2017: RMB1,553,500,000), 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 2018.

At the end of the reporting period, the management of the Group works with DTZ 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.

15 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	**1,267,909**	444,715
Transfer from investment in a subsidiary	—	85,510
Other additions	**37,102**	592,380
Share of post-tax profits of associates	**10,118**	20,853
Gains from deemed partially disposal (Note 8(a))	**29,950**	29,474
End of the period	**1,345,079**	1,172,932

15 INVESTMENTS IN ASSOCIATES (Continued)

List of major associates as at 30 June 2018 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%
Easylinkin Technology	PRC, limited liability company	PRC, development of computer software	RMB36,677,647	24.90%
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	RMB20,000,000	30.00%
Excellence Ningbo Optics Valley Real Estate Co., Ltd.	PRC, limited liability company	PRC, property development	RMB100,000,000	31.00%

15 INVESTMENTS IN ASSOCIATES (Continued)

In the opinion of the directors, Hainan Investment is a material associate to the Group. Hainan Investment is a private company and there is no quoted market price available for its shares. The financial information of Hainan Investment 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 2018 RMB'000	At 31 December 2017 RMB'000
Identifiable current assets and liabilities assumed		
Assets	**10,003,605**	8,654,225
Liabilities	**(2,530,475)**	(1,800,121)
Identifiable net current assets	**7,473,130**	6,854,104
Identifiable non-current assets and liabilities assumed		
Assets	**1,191,392**	834,035
Liabilities	**(4,162,166)**	(3,271,800)
Identifiable net non-current assets	**(2,970,774)**	(2,437,765)
Identifiable net assets	**4,502,357**	4,416,339
Identifiable net assets attributable to owners of the Company	**4,502,357**	4,416,339
Interest held by the Group	**20.00%**	20.00%
Carrying amount	**900,471**	883,268

16 INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	**143,431**	168,153
Addition	**333,018**	25,500
Reduction of capital	**(21,260)**	—
Dividend received	**(4,903)**	—
Transfer to a subsidiary	**(7,694)**	—
Other disposal	**—**	(131,423)
Share of post-tax profit/(losses) of joint ventures	**10,556**	(754)
End of the period	**453,148**	61,476

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

17 PROPERTIES UNDER DEVELOPMENT

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Expected to be recovered within one year		
Properties under development for sale	**1,478,958**	699,427
Expected to be recovered after more than one year		
Properties under development for sale	**955,596**	1,269,845
	2,434,554	1,969,272

17 PROPERTIES UNDER DEVELOPMENT (Continued)

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
In the PRC, with lease term of 40 years or more	**1,120,249**	841,667

18 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.

19 INVENTORIES AND CONTRACTING WORKING-IN-PROGRESS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Gross amounts due from customers for contract work	**—**	275,694
Work in progress	**12,113**	9,813
Finished goods	**30,780**	21,994
Raw materials	**1,592**	1,343
	44,485	308,844

20 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current portion		
Trade receivables (Note (i))	495,964	536,464
Bill receivables (Note (i))	16,869	9,555
Amounts due from related parties (Note 30(c))	78,589	80,970
Deposits	261,302	189,998
Prepayments for construction cost and raw materials	159,545	100,153
Consideration receivable on disposal of prepayments for acquisition of certain equity interests	219,621	131,628
Loans to related parties (Note 30(c))	131,509	165,866
Loans to third parties	603,470	308,070
Prepaid business tax and other taxes	81,796	31,201
Interest receivables from entrusted loans to an associate	3,112	6,423
Others	77,430	308,662
Less: loss allowance provision	(43,547)	—
	2,085,660	1,868,990
Non-current portion		
Prepayments for acquisition of properties	—	58,300
Trade receivables	15,506	17,533
Loans to a third party	146,278	—
Less: loss allowance provision	(2,194)	—
	159,590	75,833
Total	2,245,250	1,944,823

20 TRADE AND OTHER RECEIVABLES (Continued)

Trade and bill receivable are generally due within 3 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 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	**119,539**	147,354
1 to 3 months	**94,085**	68,831
3 to 6 months	**103,226**	22,929
Over 6 months	**195,983**	306,905
	512,833	546,019

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.

21 RESTRICTED CASH

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Pledged for:		
— Interest-bearing loans deposits	128,749	81,843
— Letter of guarantee	119,437	85,073
— Mortgage deposits	21,542	61,562
— Supervision accounts for construction of pre-sale properties	78,958	74,807
— Supervised account for certain equity investments	5,014	5,010
— Commercial acceptance notes	1,000	—
— Others	1,561	333
Total	356,261	308,628

22 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Cash in hand	162	220
Cash at bank	1,555,698	2,017,944
Other cash deposited in a related party's financial institute (Note 30(c)(iii))	189	115,433
Cash and cash equivalents	1,556,049	2,133,597

23 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) *Details of contract assets are as follows:*

	At 30 June 2018 RMB'000	At 1 January 2018 RMB'000
Contract assets related to sales of properties	**4,680**	10,403
Contract assets related to construction services	**329,687**	260,943
Costs for obtaining contracts	**372**	131
Total contract assets	**334,739**	271,477

(b) *Contract liabilities*

As at 30 June 2018, the Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties. Out of the contract liabilities amount to RMB235,694,000 at the beginning of the period, RMB23,758,000 was recognised as revenue in the current reporting period relates to carried-forward contract liabilities.

24 TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade creditors and bills payable	**981,590**	1,074,880
Receipts in advance	**—**	266,138
Loans due to third parties	**506,025**	207,669
Loans due to a related party (Note 30(c))	**40,000**	100,000
Amounts due to related parties (Note 30(c))	**45,747**	71,895
Construction guaranteed deposits payable	**93,679**	67,859
Accrued payroll	**11,471**	37,374
Interests payable	**12,638**	5,932
Other payables and accruals	**288,747**	381,490
Total	**1,979,897**	2,213,237

24 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 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	**78,842**	513,531
1 to 12 months	**533,414**	154,698
Over 12 months	**369,334**	406,651
	981,590	1,074,880

25 CORPORATE BONDS

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
As at 1 January	**1,399,148**	576,923
Interests and issue cost amortised during the period	**53,858**	26,916
Representing:		
Current portion	**73,728**	29,400
Non-current portion	**1,379,278**	574,439

26 BANK AND OTHER BORROWINGS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current		
Secured		
— Bank borrowings	200,000	250,000
— Current portion of non-current bank borrowings	628,380	422,880
	828,380	672,880
Unsecured		
— Bank borrowings	1,011,000	685,000
— Current portion of non-current bank borrowings	3,651	—
	1,014,651	685,000
	1,843,031	1,357,880
Non-current		
Secured		
— Bank borrowings	1,341,150	1,012,820
Less: Current portion of non-current bank borrowings	(628,380)	(422,880)
	712,770	589,940
Unsecured		
— Bank borrowings	453,590	321,683
Less: Current portion of non-current bank borrowings	(3,651)	—
	449,939	321,683
	1,162,709	911,623

26 BANK AND OTHER BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	2,269,503
Proceeds from borrowings	1,478,000
Repayments of borrowings	(743,670)
Loss of exchange rate	1,907
Closing amount as at 30 June 2018	3,005,740

The bank and other borrowings bear interest ranging from 3.30% to 6.90% per annum for the six months ended 30 June 2018 (year ended 31 December 2017: from 2.15% 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 2018, none of the covenants relating to drawn down facilities had been breached (2017: nil).

27 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 reorganization 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 2018			At 31 December 2017		
	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	**7,713,324**	**634,716**	**(122,469)**	8,000,000	658,680	(110,105)
Shares repurchased for cancellation (a)	**—**	**—**	**(43,669)**	—	—	(189,695)
Shares cancelled (a)	**(70,952)**	**(5,981)**	**39,165**	(286,676)	(23,964)	177,331
At the end of the year/period	**7,642,372**	**628,735**	**(126,973)**	7,713,324	634,716	(122,469)

(a) During the period ended 30 June 2018, the Company repurchased a total 81,868,000 Shares at a total consideration of HK$53,601,440 (equivalent to RMB43,669,000) for cancellation purpose. On 10 January 2018 and 29 May 2018, the Company cancelled 13,244,000 Shares and 57,708,000 Shares, respectively. Subsequently on 19 July 2018, the Company further cancelled the remaining 24,160,000 treasury Shares.

28 CAPITAL COMMITMENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted but not provided for	**1,000,831**	1,310,239

29 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 2018 RMB'000	At 31 December 2017 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**389,063**	770,591

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.

30 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	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and other benefits	**7,354**	6,416
Retirement scheme contributions	**133**	151
	7,487	6,567

The above remuneration to key management personnel is included in "staff costs" (Note 9 (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	
	2018	2017
	RMB'000	RMB'000
(i) Joint ventures		
Business operation service	**10**	10
Construction contract revenue	**178**	141
(ii) Associates		
Loans provided by associates	**52,812**	200,000
Loans provided to associates	**5,023**	10,174
Interest income	**13,430**	16,504
Interest expense	**487**	1,268

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

30 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
(i) Joint ventures		
Loans receivable	**43,586**	31,750
Other amounts receivable	**1,093**	1,442
Interests receivable	**364**	259
Trade and other payables	**—**	25,519
(ii) Associates		
Loans receivable	**87,923**	134,116
Loans payable	**40,000**	100,000
Other amounts receivables	**55,480**	59,858
Interests receivable	**2,748**	6,164
Other amounts payable	**118**	599
(iii) Major shareholder		
Cash deposited in major shareholder's financial institution (i)	**189**	115,433
Other amounts receivable	**22,016**	19,670
Amounts payable (v)	**45,629**	45,777

31 EVENTS OCCURRING AFTER BALANCE SHEET DATE

(a) On 13 August 2018, CEC Optics Valley (Shenzhen) Industry Development Co., Ltd. ("CEOVU Shenzhen"), a wholly-owned subsidiary of the Company, acquired 35% equity interests in China Electronics Wenzhou Industrial Park Development Co., Ltd. ("Wenzhou Industrial Park") from Beijing Zhong Hong Cheng Tou Property Co., Ltd. ("Beijing ZHCT") for a cash consideration of RMB233,500,000 (the "Acquisition"). Before the Acquisition, CEOVU Shenzhen held 60% equity interests in Wenzhou Industrial Park and Wenzhou Industrial Park was a partially-owned subsidiary of the Group. Therefore, the Acquisition was treated as a transaction with non-controlling interests and the excess of cash consideration over the book value of the 35% equity interests in Wenzhou Industrial Park on the completion date of the Acquisition, amounting to approximately RMB33,787,000, was debited to the Group's reserves.

(b) On 19 July 2018, the Company cancelled 24,160,000 treasury shares (Note 27(a)).

Definitions

"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
"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 2018 to 30 June 2018
"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 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.