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

ANNUAL REPORT 2018

Contents

Corporate Information

COMPANY NAME

China Electronics Optics Valley Union Holding Company Limited

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

798

STOCK NAME

CEOVU

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Wang Qiuju
Mr. Xiang Qunxiong
Mr. Zhang Jie
Ms. Sun Ying *(appointed as non-executive Director on 22 March 2018)*
Mr. Lu Jun *(resigned as non-executive Director on 22 March 2018)*

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

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building No. 1, Higher Level
Creative Capital
16 Ye Zhi Hu West Road
Hongshan District
Wuhan, Hubei
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

LEGAL ADVISORS

as to Hong Kong law
Reed Smith Richards Butler
20/F Alexandra House
18 Chater Road
Central, Hong Kong

as to Cayman Islands law
Appleby
2206-19 Jardine House
1 Connaught Place
Central, Hong Kong

as to PRC law
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing, China

AUDITORS

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

Hankou Bank
Bank of Communications
Industrial and Commercial Bank of China

COMPANY WEBSITE

http://www.ceovu.com/

Financial Summary

A summary of the audited results and the assets and liabilities of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue from continuing operations	**3,001,137**	2,692,899	2,594,701	1,903,840	1,928,948
Gross profit	**1,036,071**	987,134	811,623	592,006	682,661
Profit before income tax	**903,693**	829,502	761,025	748,028	632,018
Profit attributable to owners of the Company	**541,486**	446,260	431,925	499,886	415,190
Profit attributable to non-controlling interests	**49,430**	39,427	37,570	4,704	5,128
Profit for the year	**590,916**	485,687	469,495	504,590	420,318

	As of 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**5,237,370**	4,218,606	3,555,100	1,635,447	1,054,621
Current assets	**9,943,224**	9,149,471	8,023,019	7,257,981	7,078,420
Current liabilities	**6,038,876**	3,903,664	3,582,159	4,081,165	3,659,076
Net current assets	**3,904,348**	5,245,807	4,440,860	3,176,816	3,419,344
Total assets less current liabilities	**9,141,718**	9,464,413	7,995,960	4,812,263	4,473,965
Total equity	**6,927,436**	6,860,745	6,082,916	3,052,260	2,585,039
Non-current liabilities	**2,214,282**	2,603,668	1,913,044	1,760,003	1,888,926
Total equity and non-current liabilities	**9,141,718**	9,464,413	7,995,960	4,812,263	4,473,965

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2018.

In 2018, the international economic situation was complicated and volatile. The Brexit, trade disputes, financial pressures, the appearance of volatility risks, tensions of geopolitical relations indicate the overall visible downward trend of the global economy. With the supply-side structural and high-quality development policies, China's reform is going forward steadily, the overall economy is making progress while maintaining stability, the deleveraging of the real economy and financial industry continues to strengthen, the quality and efficiency of development continue to improve and China's economy has maintained a steady trend of development under the new norm.

In the face of a new complex globalization pattern, CEOVU closely follows the development of China's economy. After four years of proactive exploration and unremitting efforts since 2015, CEOVU has gradually transformed from a professional industrial park development operation group to an "innovative ecology" creator and an "industry resource sharing platform", forming a "system planning" and "comprehensive operation" methodology system and a full industrial chain coordination mechanism, in accordance with the innovative development ideology and the idea of "making changes steadily, making improvements amid changes".

2018 is a crucial year for CEOVU to make steady and long-term progress and achieve high-quality development.

Industrial park space services segment has achieved an operation revenue of RMB1,846.3 million in 2018, which remained basically stable as compared to the same period. Urban companies and projects in Qingdao, Xianyang, Chongqing, Wenzhou, Changsha, Xi'an, Wuhan, Huanggang and Huangshi achieve new development with innovative ideas and changes.

"Systematic planning and industrial upgrade solutions" consulting business that follows Construction Design Institute (cooperation of different teams including consulting management division, research laboratory and urban companies) has leaped in development, newly expanded to urban markets such as Yan'an, Yinchuan, Chongqing, Xinyang and Xiaogan and generate CEOVU's full life cycle and diverse operational service system based on intelligent system and whole chain capability, and the national layout structure is further improved.

CEOVU's Nationwide Industrial Park Layout

In 2018, we achieved material results in industrial investment. Lingdu Capital has established cultural and creative fund with a scale of RMB250 million, Zhongdianzhongjin Company (中電中金公司) has finished filing and created an electronic information industry fund that is RMB5 billion; Easylinkin Technology increased significantly in valuation after successive financing in 2018, sales exceeded RMB200 million and became the largest enterprise in the country focusing on LoRa WAN; Huada Beidou focuses on the research and development, production and sales of high precision positioning chips and related products, and the annual sales exceeded RMB100 million. Among them, the self-developed chip HD8040 (mass-produced) has been awarded the first prize of scientific and technological achievements (first in chip category) of GNSS and LBS Association of China. CEOVU not only created new profit growth point, but also provided important strategic support for building an industrial resource sharing platform.

In 2018, the industrial resource sharing platform of CEOVU was listed as a typical case of shared economic platform enterprise by the National Development and Reform Commission. Companies including Wuhan Lido Property Management, Wuhan Lido Technology, CEC Energy Conservation, OVU Technology have won various awards such as national industry leading enterprise respectively. These companies have had an in-depth collaboration with the local government platform resources, to explore central enterprises and drive forward the innovative development of small, medium-sized and micro enterprises, the regional integrated development as well as the new mode of complementary advantages and win-win sharing. These companies have achieved fruitful results, and have provided CEOVU with solutions regarding industry upgrade.

The four-year transformation development process is a process in which we relearn the formation mechanism of the industrial ecology and the pattern of industrial upgrade. It is a process of reaching consensus and self-improvement. It is also a process of redefining the business model for industrial park development, with theory and practice combined. In 2018, the development of our various business units and the transformation and reformation strategy of the Group resonated with each other. This is the driving force and guarantee for our future innovative development.

We firmly believe that, with the strong support and help of our shareholders as usual, under the adequate decision and leadership of the Board of Directors of CEOVU, under the wholehearted dedication and efforts of all employees of CEOVU, CEOVU will reach new heights once again in the new growth period.

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

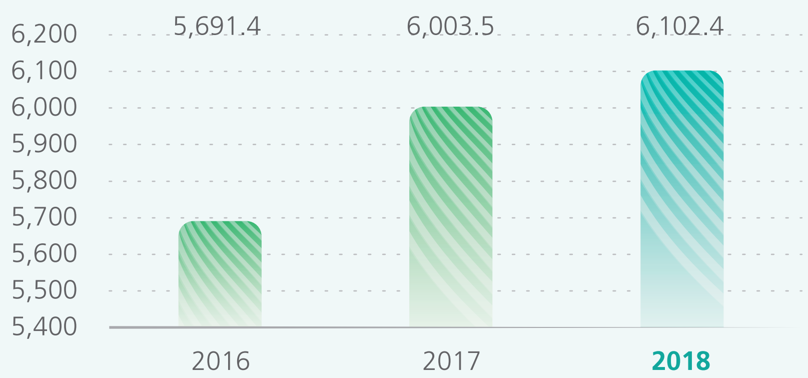
21 March 2019

Management Discussion and Analysis

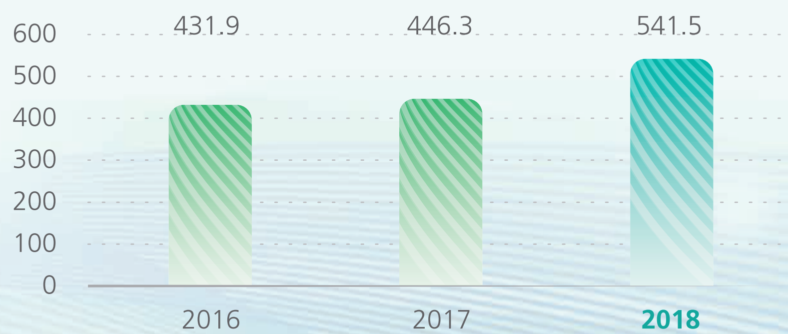
OVERALL PERFORMANCE

- As of 31 December 2018, the total revenue of the Group was RMB3,001.1 million, increased by 11.4% as compared to 2017, of which the income from sales of industrial parks accounted for 55.4%, and income from industrial park operation services and industrial park leasing accounted for 44.6%. The adjustment of income structure reflected the strategic effectiveness of transformation and reform of the Group.
- Profit attributable to owners of the Company was approximately RMB541.5 million, representing an increase of 21.3% as compared to the same period of 2017, of which, the core net profit of the Group was RMB451.0 million, representing an increase of 49.9% as compared to the same period of 2017. The post-tax fair value gains on industrial investment business was RMB96.8 million; the post-tax fair value gains on investment properties was RMB43.1 million.
- Newly completed area of the Group amounted to 291,000 sq.m. in 2018.
- As of the end of 2018, total equity attributable to owners of the Company amounted to RMB6,102.4 million, representing an increase of 1.6% as compared to the same period of 2017.
- The core net profit margin of the Group was 15.0% in 2018, representing an increase of 3.8 percentage points as compared to 11.2% in 2017. Consolidated gross profit margin was 34.5% in 2018.

Growth in total equity attributable to owners of the Company during 2016 to 2018 (RMB million)



Growth in profit attributable to owners of the Company during 2016 to 2018 (RMB million)



BUSINESS REVIEW

Since 2015, the Group has firmly implemented the strategies of transformation and reform, seeking to achieve a sustainable development under the economic environment with uncertainties. After four years of proactive exploration and unremitting efforts, the Group has gradually transformed from a professional industrial park development operation group to an "innovative ecology" creator and an "industry resource sharing platform", forming a "system planning" and "integrated operation" methodology system and a full industrial chain coordination mechanism, in accordance with the innovative development ideology and the idea of "making changes steadily, making improvements amid changes". As 2018 is the year end of the strategic transformation and reform, the positive results reflected the effectiveness of the strategic transformation.

RESULT OF OPERATIONS

In 2018, the Group generated a revenue of approximately RMB3,001.1 million, representing a growth of 11.4% as compared to 2017; the profit before tax and net profit for the year were RMB903.7 million and RMB590.9 million, respectively. Profit attributable to owners of the Company was approximately RMB541.5 million, representing an increase of 21.3% as compared to that in the same period of 2017. Core net profit of the Group (excluding post-tax fair value gains on investment properties and industrial investment business) amounted to approximately RMB451.0 million, representing an increase of 49.9% as compared to that in the same period of 2017. Equity attributable to owners of the Company increased by 1.6% to RMB6,102.4 million. Net asset value per share reached RMB0.8, representing an increase of 2.9% as compared to that in the same period of 2017.

BUSINESS SEGMENT ANALYSIS

As of 31 December 2018, the Group developed or operated various 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, committed to building the leading platform for sharing industrial resources in China, providing appropriate and overall solutions covering technology industrial park investment, development, business solicitation and operation, as well as providing ideal office, research, production sites and services to various kind of innovative enterprises, using entire life cycle of park zone intelligence management system as a foundation. As at 31 December 2018, the Group has the following three segments: (i) industrial park space services (including sale and leasing services of industrial park space); (ii) industrial park operation services (including design and construction services, property management services, energy services, intelligent park services, incubator and office sharing services, industrial park financial services, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment); (iii) industrial investment (industrial-related equity investments business in various theme parks). The income structure and composition of profit in 2018 reflected the strategic effectiveness of transformation and reform.

REVENUE BY BUSINESS SEGMENTS

	For the year ended 31 December			
	2018		2017	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Industrial park space services	**1,846,275**	**61.5**	1,861,972	69.1
Sales of industrial park	**1,662,153**	**55.4**	1,721,922	63.9
Self-owned park leasing	**166,314**	**5.5**	108,055	4.0
Sales of ancillary residentials	**17,808**	**0.6**	31,995	1.2
Industrial park operation services	**1,154,862**	**38.5**	830,927	30.9
Design and construction services	**472,934**	**15.8**	392,322	14.6
Property management services	**448,360**	**14.9**	291,711	10.8
Energy services	**96,123**	**3.2**	72,542	2.7
Group catering and hotel services	**51,871**	**1.7**	43,397	1.6
Industrial park financial services	**26,304**	**0.9**	10,000	0.4
Others	**59,270**	**2.0**	20,955	0.8
Total	**3,001,137**	**100.0**	2,692,899	100.0

INDUSTRIAL PARK SPACE SERVICES

In 2018, the income from the industrial park space services business of the Group was RMB1,846.3 million, which remained basically stable compared to the income of 2017. Among which, the sales income from industrial park was RMB1,662.2 million, representing a decrease of 3.5% as compared to the same period of 2017, with a booked sales area of 330,000 sq.m., representing an increase of 18.3% as compared to the same period last year, which was mainly attributable to the higher unit price of the Hefei Financial Harbor Project and the Creative Capital Project, of which the recognized revenue accounted for a slight decrease as compared to 2017. It is noteworthy that the proportion of income from sale of industrial park to total revenue decreased from 63.9% in 2017 to 55.4% in 2018, representing a decrease of 8.5 percentage points, and the Company is gradually getting rid of the over-reliance on the sales business of the industrial park. Industrial park lease income amounted to RMB166.3 million, representing a growth of 53.9% as compared to the same period of 2017, with a self-owned property lease area of 276,000 sq.m. and occupancy rate of over 81.0%. The leasing of high quality properties steadily contributed to the revenue of the Company. There were no new residential property projects in 2018, but there was a remaining sales income of RMB17.8 million from Lido 2046 project.

Sales of Industrial Park Business

In 2018, the income from the sale of self-owned industrial park space services was mainly generated from Hefei, Wuhan, Wenzhou, Qingdao and Ezhou, among which, the sales income from Hefei project reached RMB317.6 million, accounting for 19.1% of the income from sales of industrial parks. The sales income from Qingdao project was RMB288.4 million, accounting for 17.4% of the income from sales of industrial parks. The sales income from Wenzhou project was RMB261.5 million, accounting for 15.7% of the income from sales of industrial parks. The sales income from Ezhou project was RMB172.1 million, accounting for 10.4% of the income from sales of industrial parks. Excluding the projects in Wuhan, the proportion of sales from projects in other cities reached 84.2%, representing a further growth as compared to last year. This demonstrated that the layout of self-owned industrial park business in other major cities across the country has been widely recognized by the market and our clients, the multi-zone industrial layout is conducive to lowering the risk of system and ensuring the achievement of annual target of sale income of the industrial parks.

The growth in the sales area from industrial park was mainly attributable to: (1) the recognition from our clients as to the location, design and construction standard of the industrial properties provided by the Group; (2) that flexible and appropriate business solicitation strategies were adopted by the Group according to the demands of our customers; (3) the strong support of full industrial park operation services to the sales of industrial properties of the Company.

SUMMARY REGARDING THE SALES OF INDUSTRIAL PARKS

	Contracted Amount (RMB'000)		Contracted Area (sq.m.)	
City and Project	**2018**	2017	**2018**	2017
Central China Region	**698,244**	748,800	**97,706**	137,800
Hefei company	**419,890**	647,920	**41,331**	75,300
Northern Region	**210,220**	167,970	**56,674**	52,700
Qingdao company	**416,801**	278,910	**58,053**	41,700
Chengdu company	**34,222**		**4,533**	
Southern Region	**314,584**		**90,048**	
Total	**2,093,961**	1,843,600	**348,345**	307,500

DEVELOPMENT AND PROGRESS OF THE INDUSTRIAL PARKS

Due to the in-depth adjustment of industrial structure in China, timely adjustments were made to the strategies of different themed industrial park space services in different cities. In general, during 2018, the total area of construction commenced in industrial parks was 363,000 sq.m., decreasing by 30.4% as compared to that of 521,000 sq.m. in 2017. Completed construction area amounted to 291,000 sq.m., increasing by 30.9% as compared to that of 222,000 sq.m. in 2017. As at the end of 2018, the total area under construction was approximately 699,000 sq.m.

Completed Area in Major Cities throughout the Nation

City	Project Name	Completed area in 2018 ('000 sq.m.)
Shenyang	Shenyang Science and Technology City	91.0
Ezhou	Ezhou Science and Technology City	47.2
Hefei	Hefei Financial Harbor	39.3
Xi'an	CEC Xi'an Industrial Park	84.3
Huanggang	Huanggang OVU Science and Technology City	28.8
Total		290.6

Land Bank of the Industrial Parks

During the Reporting Period, the Group has approximately 6,116,000 sq.m. of high quality land bank in 17 cities, including Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Hefei, Shenyang, Luoyang, Xi'an, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai, and Ningbo, representing an increase of 45.6% as compared to 2017, of which the land bank is primarily high quality industrial park land located in cities such as Shuangliu District in Chengdu city, Yuelu District in Changsha city, Songjiang District in Shanghai city, Ningbo and Luoyang.

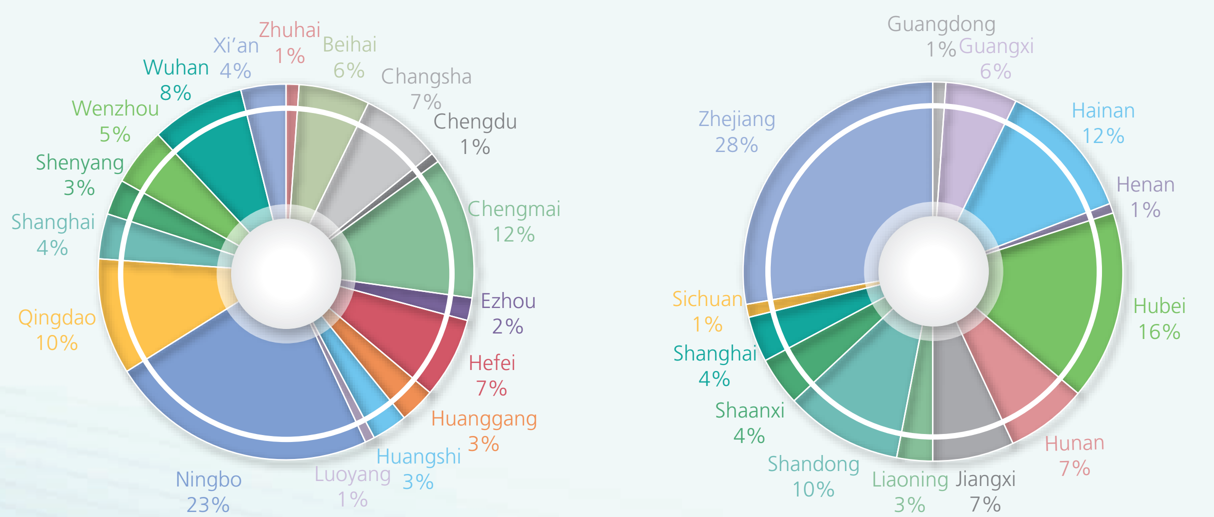


Table of Land bank of the Industrial Parks

No.	Project	City	Location	Usage	Interest Attributed to the Group	Land Bank (sq.m.)
1	Optics Valley Software Park (光谷軟件園)	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	54,425
2	Financial Harbor (Phase I) (金融港一期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
3	Financial Harbor (Phase II) (金融港二期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	29,492
4	Creative Capital (創意天地)	Wuhan	16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	183,349
5	Wuhan Innocenter (武漢研創中心)	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	199,438
6	Lido 2046 (麗島2046)	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	1,853
7	Others	Wuhan	N/A	Residential	100%	14,612
8	Qingdao OVU International Marine Information Harbour (青島光谷國際海洋信息港)	Qingdao	396 Emeishan Road, Qingdao, Shandong Province	Industrial	100%	308,451
9	Qingdao Innocenter (青島研創中心)	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential/ Industrial	100%	97,968
10	Qingdao Marine & Science Park (青島海洋科技園)	Qingdao	South of Changjiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	Industrial	100%	197,050
11	Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	Huanggang	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	Industrial	70%	153,508
12	Shenyang OVU Science and Technology City (瀋陽光谷聯合科技城)	Shenyang	Intersection of Sheng Jing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	2,015
13	Shenyang CEOVU Information Harbour (瀋陽中電光谷信息港)	Shenyang	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	136,515
14	Shenyang Maker Corporation (瀋陽創客公社)	Shenyang	Intersection of Qixing Street and Shenbei Road, Shenbei New District, Shenyang, Liaoning Province	Commercial	100%	36,716
15	Ezhou OVU Science and Technology City (鄂州光谷聯合科技城)	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	142,390
16	Huangshi OVU Science and Technology City (黃石聯合科技城)	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	177,016
17	Lido Top View (麗島半山華府)	Huangshi	76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	16,461
18	Hefei Financial Harbor (合肥金融港)	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	100%	433,408
19	Xi'an Industrial Park (西安產業園)	Xi'an	West of Cao Tan Tenth Road, North of Shang Ji Road, Xi'an, Shaanxi Province	Industrial	73.91%	240,190
20	Wenzhou Industrial Park (溫州產業園)	Wenzhou	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou City, Zhejiang Province	Industrial	100%	285,347

No.	Project	City	Location	Usage	Interest Attributed to the Group	Land Bank (sq.m.)
21	Shanghai Internet-of-Things Harbour (上海物聯港)	Shanghai	Lot 114/1, 101 Street, Songjiang Industrial Park, Songjiang	Industrial	100%	235,400
22	Chengdu Chip Valley (成都芯谷)	Chengdu	No.1 Fengle District, Dongsheng street. No. 7 Guangrong District, Pengzhen	Commercial	80%	54,563
23	Ningbo Hangzhouwan Center (寧波杭州灣中心), Blue Coast (蔚藍海岸)	Ningbo	North of Binhai 6th Road, East of Zhongxing 1st Road, Hangzhouwan New Zone, Ningbo	Residential/ Industrial	31%	1,401,413
24	Civil-military Integration Industrial Development Acceleration Center, Luoyang (洛陽軍民融合產業發展加速中心)	Luoyang	The intersection of Guanlin Road and Longshan Line, Luolong District, Luoyang, Henan Province	Industrial/ Commercial	70%	91,507
25	Changsha CEC Software Park (長沙中電軟件園)	Changsha	Yuelu Avenue in High-tech Industrial Development Zone	Industrial	100%	440,027
26	Zhuhai Hengqin International Innovation Center (珠海橫琴國際創新中心)	Zhuhai	East of Fubang Road, Hengqin New District, Zhuhai, Guangdong province	Commercial	30%	53,618
27	Hainan Resort Software Community (海南生態軟件園)	Chengmai	Southern section situated at 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%	750,508
28	Beihai Industrial Park (北海產業園)	Beihai	West of Beihai Avenue, South of Ke Fu Road, Beihai, Guangxi Province	Industrial	15%	350,892
Total						6,115,862

Note: No. 26-28 are projects the Group invested in through a subsidiary CEC Technology.

Industrial Park Leasing

During the Reporting Period, the rental income of industrial parks was RMB166.3 million, with a growth of 53.9% as compared to the same period of 2017. The area of the self-owned quality properties reached 276,000 sq.m., with an occupancy rate of over 81.0%. These will provide a stable and sustainable cash flow to the Group, further optimizing the model of business solicitation services for parks and promoting brand effectiveness continuously.

Sales of Ancillary Residentials

Ancillary residential properties achieved a sales income of RMB17.8 million, the income dropped by 44.3% as compared to last year, which was attributable to the fact that there was no new residential project in 2018 and there were only remaining sales from Lido 2046 project.

INTRODUCTION OF MAJOR BUSINESS PARK PROJECTS

Briefings on status of business park projects under development in 2018

Hefei Financial Harbour

The Group intends to develop it into a business park for financial middle and back offices and innovative financial business.

Location:	The intersection of Huizhou Avenue and Nanjing Road in Binhu New District, Hefei City.
Scale:	The project has a planned gross floor area ("GFA") of approximately 640,000 sq.m.
Project positioning:	Specilised financial services district, financial middle and back office services district and headquarters.
Details of the project:	Including high-rise commercial office buildings, separate multi-storey office buildings, apartments, OVU Maker Star, specialised commercial street, among which, phase I with 320,000 sq.m. has been completed and put into operation in the year end of 2016.
Target of the project:	After completion, the project will attract financial companies, middle and back office service companies, service outsourcing companies and e-commerce companies, and it will incubate a number of innovative financial institutions to become the investment pool with the most centralized funds, technology and talents in Anhui Province.
Latest status:	As of 31 December 2018, phase II of the project of separate multi-storey buildings was completed and delivered. The high-rise office buildings are expected to be completed and delivered by the first half of 2019.

Qingdao Innocenter

The Group intends to develop it into a demonstration project of innovation business for small and medium-sized technology companies in Qingdao.

Location:	Jiangshan Road of Qingdao Economic and Technological Development Zone in Qingdao West Coast Economic Development Zone, which is a national district.
Scale:	The project has a planned site area and a planned GFA of approximately 62,000 sq.m. and 130,000 sq.m. respectively.
Project positioning:	With science and technology and cultural and creative industries as focus, and software information, smart manufacturing, technology and finance and the Internet as feature, building a 4-in-1 specialised service industrial park zone with research and development business, joint offices, creative commercial street and renovated apartments. It targets to develop a national first-class park zone for "Industrial Design + Cultural and Creative Industry".
Details of the project:	Specialized service industrial park and facilities for research and development business, joint offices, creative commercial street and renovated apartments.
Target of the project:	Equipped with comprehensive business infrastructure, it will facilitate the rapid growth of hundreds of medium, small and micro-sized technology companies and provide them with a platform to transform their scientific and technological achievements. It will also form an industrial complex that integrates functions such as R&D, office, residence, living and business with an aim to further promote the restructuring of industries in Qingdao and stimulate local economy.
Latest status:	As of 31 December 2018, area of 100,000 sq.m. has been delivered, with a total of 100 companies and institutions in various fields agreed and contracted to settle down. Representative companies include China Water Resources and Hydropower No.1 Engineering Bureau*(中國水電一局), headquarters of Datang West Coast Heating* (大唐熱力西海岸總部), Dongfang Haibo Wisdom Equipment*(東方海博智慧裝備), Zhong Cheng International* (終成國際), Haiyi Automation* (海憶特自動化), Phoenix Island Finance* (鳳凰島金融)、Gazelle Valley Technology Finance* (瞪羚谷科技金融).

Changsha CEC Software Park (Phase II)

Location:	At the intersection of Yuelu Avenue and Jianshan Road in Changsha High-tech Industrial Development Zone.
Scale:	The project has a total planned site area and a GFA of approximately 277,300 sq.m. and approximately 850,000 sq.m. respectively.
Project positioning:	The system has planned for the space for specialised industrial research and development, DHC, data center system and intelligent industrial platform. Adhering to the concept of civil-military integration, city-industry integration as well as integration of science, technology and art, with information security and civil-military integration industry as the core, the project focuses on frontier technology field such as mobile internet, smart manufacturing, application of Beidou System and big data, deploying an industrial synergy innovation chain around the industrial value chain, creating a 4.0 upgraded version of high-tech industrial landmark.
Details of the project:	R&D, incubation, office, business park facilities and related commercial supporting facilities.
Project status:	As of 31 December 2018, the construction of 59,400 sq.m. above ground site and 35,400 sq.m. of underground site were completed.

Shenyang CEC Information Harbour/Shenyang CEOVU Information Harbour

Location:	The intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province.
Scale:	The project occupies a total site area of 500,000 sq.m., of which a site area of 125,000 sq.m.. and a total GFA of 100,000 sq.m. is taken up by phase I of the project.
Project positioning:	The principal operations consist of intelligent firefighting, machinery processing, seeds, construction materials, packaging and printing, medical equipments and green energy conservation.
Details of the project:	Plants, innovative business incubator and related commercial supporting facilities.
Project Status:	As of 31 December 2018, phase I of the project with an area of 100,000 sq.m. has been fully completed and obtained the completion of registration certificate; phase II of the project with an area of 80,000 sq.m. is under development with main structures being completed.

Chengdu Chip Valley

Location:	Next to Huayuan Road and Jiancao south Road, Shuangliu District, Chengdu, Sichuan Province.
Scale:	The project plans to occupy a total site area of 24,530,000 sq.m., of which divided into three phases, i.e. pilot area (3,730,000 sq.m.), development area (6,910,000 sq.m.) and manufacturing area (13,890,000 sq.m.).
Project positioning:	Based on the concept of city-industry integration, civil-military integration and science-art integration, the project integrated and implemented the planning and construction of Chengdu Chip Valley in accordance with the "Four Integration" ideas, i.e. integrated planning, integrated construction, integrated operation and integrated services, focusing to develop an industrial system with integrated circuit as core and supported by upstream and downstream joint development of "1" (integrated circuit industry: IC design, production, package and testing) + "N" (Integrated circuit ancillary industry and back-end applications, productive services industry and life services industry), and committed to developing the most influential and complete compound semiconductor industry chain of ecology in the nation, creating a new pole in the integrated circuit market in China.
Details of the project:	Unfinished roads, state grids and relevant urban infrastructure within the abovementioned land of a site area of more than 20 sq.k.m.. Construction of standardized plants and customized plants, R&D and office properties, corporate headquarters, integrated circuit museum, open lab, scientific incubator, accelerator, practical training base, international innovation center, apartments and commercial facilities within the park.
Project status:	The project has already kicked start research and development at Chengdu Chip Valley the pilot area and phase I of property base project, and is also in the stage of accelerated construction. It is expected that the first batch of customized properties under phase I will be put into use by the end of 2019.

Xi'an CEC Information Harbour

Location: No.1288, Caotan 10th Road, Caotan Eco-Industrial Park, Economic and Technological Development Zone, Xi'an, Shaanxi Province.

Scale: Industrial park occupies a total site area of 469 mu and has a planned GFA of approximately 460,000 sq.m., among which, industrial park takes a site area of approximately 160,000 sq.m. that has been completed and under construction.

Project positioning: Focus on the development of high-end intelligent manufacturing, software and service outsourcing, civil-military integration, healthcare and financial services industry, and develop a system for smart industrial park management and production services.

Details of the project: Properties such as separate buildings for enterprises, customized plants, integrated office buildings, ancillary apartments and complex building for catering.

Project status: As of 31 December 2018, 135,600 sq.m. was completed and the construction in progress involved an area of 17,000 sq.m. with companies and organizations such as Xi'an research and development center of China National Software & Service Company Limited* (中國軟件與技術服務有限公司西安研發中心), BMW Xi'an training center* (寶馬西安培訓中心), Xi'an research and development center of Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd.* (貴州振華群英電器有限公司西安研發中心), Xi'an research and development center of China Electronics Cyberspace Great Wall Co., Ltd.* (中電長城網際系統應用有限公司西安研發中心), Xi'an Nuclear Mechanical and Electrical System Enginneering Co., Ltd.* (西安核發機電系統工程有限公司), Shaanxi Yuping Photoelectric Technology Co., Ltd.* (陝西桓平光電科技有限公司), Satpro Measurement and Control Technology Co.,Ltd* (星展測控科技股份有限公司), and the design institute of China Railway Electrification Engineering Group Co., Ltd.* (中鐵電氣化局集團有限公司設計研究院) settling down.

BRIEFINGS ON STATUS OF OTHER PROJECTS UNDER DEVELOPMENT

Wuhan Creative Capital

As of 31 December 2018, the project was completed. More than 800 enterprises, institutions and artists, including Wuhan Dao Sen Media Company Limited*(武漢道森媒體股份有限公司) and Wuhan Zuo Tang Construction, Decoration, Design and Engineering Company Limited*(武漢左堂建築裝飾設計工程有限公司), have moved in.

Ezhou OVU Science and Technology City

As of 31 December 2018, the completed area was 270,000 sq.m., and the construction in progress involved an area of 16,000 sq.m.. Till then, over 50 enterprises mainly engaged in new materials, manufacturing of high-end equipment, biological medicine and opto-electronic information, have moved in.

INDUSTRIAL PARK OPERATION SERVICES

During the Reporting Period, the turnover of the industrial park operation services of the Group was RMB1,154.9 million, representing an increase of 39.0% as compared to the same period of 2017. After four years of transformation and reform, 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, industrial park financial services, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment. The income from industrial operation services accounted for 38.5% of the total revenue in 2018. In terms of composition, the income from design and construction services and property management services accounted for 79.8% of the income from industrial park operation services, and is the major source of income of the industrial park operation services currently.

Design and construction services

Governmental Procurement, EPC Integrated Design and Construction Services

In recent years, the governmental procurement services, which originate from the reform tide of local exploration, has been promoted as a national strategy. The central government and local authorities issued numerous laws and regulations, particularly in fields such as development of new industrial cities and industrial parks, to support, encourage and regulate governmental procurement, which offered greater opportunity for enterprises carrying out business relating to the industrial property development and operation. With the comprehensive consultant service and the construction consultation service experience gained from various governmental projects, namely Wuhan Biolake and Wuhan Future Science Town, the Group is working wholeheartedly in 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 the government, institutions and related corporations with comprehensive EPC integrated design and construction services, ranging from design, tender and procurement to construction.

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 to expand industrial innovation cooperation in Shenzhen, Chengdu and Tianjin, and carried out business in respect of industrial and intelligent parks in Guangzhou and Hefei together with Easylinkin Technology. 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 Xianyang, Xiaogan, Putian, Yan'an and Xinyang, the consultation business was self-enhancing by offering a two-way idea of planning and design, and practicing the Group's methodology of system planning and integrated operation.

During the Reporting Period, the Group's design and construction service income exceeded RMB472.9 million, representing an increase of 20.6% as compared to the same period of 2017.

Property Management Services

During the Reporting Period, the income from the property management services of the Group was RMB448.4 million, representing an increase of 53.7% as compared to the same period of 2017, among which, income from property management services provided to industrial park projects accounted for 50% and income from property management service provided to residential projects accounted for another 50%. During the Reporting Period, the area covered by the property management service reached 20,892,000 sq.m., of which the area covered by corporate customer services accounted for 50.8%.

During the Reporting Period, the Group utilized the Internet-of-Things, BIM 3D visualization technology and mobile Internet technology to reform its existing property management model, which substantially reduced staff costs and improved management efficiency as well as customers' satisfaction. At the same time, Wuhan Lido Property Management became the first property management company granted qualifications to the sales of power in Hubei Province in 2018, by taking the advantage of the opening of national grid to qualification of sales of power. By the integrated application of sensors, Internet-of-Things and the operation & management software and platforms, the Group has initially established its own management model applicable to intelligent 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 RMB96.1 million, representing an increase of 32.5% as compared to 2017. Through years of development and exploration, CEC Energy Conservation 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 December 2018, CEC Energy Conservation had 24 utility models, 9 patents for invention and 4 software copyrights relating to its self-developed energy saving control system. In 2018, CEC Energy Conservation also undertook the energy service business of two large-scale commercial complexes such as Creative Optics Valley (北辰光谷里) and Hanyang Smart Eco-city (漢陽智慧生態城).

Currently, CEC Energy Conservation'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. 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.

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 27 market projects, among which 8 were new during the Reporting Period. Adhering to its positioning of an art boutique hotel, Ziyuan Hotel tapped the potential, lowered the cost and enhanced the efficiency under the premise of focusing on its brand effect. In 2018, group catering and hotel services realized an output of RMB93.9 million and a revenue of RMB51.9 million.

Industrial Park Financial Services

As of 31 December 2018, Lingdu Capital, a controlling subsidiary of the Group, took full charge of 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 31 December 2018, together with relevant government and other institutions, initiated to establish certain funds with a total scale exceeding RMB650 million. As of 31 December 2018, the Group initiated and organized an entrepreneurship competition named "Yizhidu Show* (億隻獨SHOW)", organized jointly with CEC the CEC Partner Conference* (中電合作夥伴大會), the CEC i plus innovation and creativity competition* (中電 i+創新創意大賽) and the Uzbekistan "One Belt, One Road" Business Inspection* (烏茲別克斯坦「一帶一路」商務考察) 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 31 December 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* (武漢北大高科軟件股份有限公司) and Huada Beidou.

In 2018, the Group coordinated with companies including Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司), Zhongjinqirong (Xiamen) Equity Investment Fund Partnership (Limited Partnership)* (中金啟融(廈門)股權投資基金合夥企業(有限合夥)) to establish CLP Zhongjin (Xiamen) Intelligent Industry Equity Investment Fund* (中電中金(廈門)智能產業股權投資基金) ("CLP Zhongjin Fund"), which will have a profound impact on the new development strategies of our industrial parks. CLP Zhongjin Fund is a unique investment platform established by CLP and Zhongjin Capital for their target industry, with an expected total scale of RMB5 billion, of which the scale of subscribed funds reached RMB2.82 billion in 2018. It focuses on the value chain of advanced manufacturing industries related to semiconductors and electronics, and is a complementary investment portfolio to small and medium-sized innovative technology companies. CLP Zhongjin Fund has an independent investment committee and decision-making program. Their professional management team has excellent industry and investment background as well as market-based incentive mechanism. CLP Zhongjin Fund will make use of the industry resources of the fund management team and CLP'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.

The controlling subsidiary of the Group, Growing Business Innovation and Guarantee Co., Ltd.* (成長企業創新擔保有限公司) built up a financial service platform in parks with guarantee businesses as focus, factoring and financial leasing as complements, providing financing guarantee service for SMEs as core business and financial services for industrial parks as feature. In 2018, we provided 29 financing services of an amount of RMB240.7 million in total. Various businesses achieved zero overdue and zero risk throughout the year.

Full Name of Invested Companies	Intended total investment amount (RMB0'000)	Accumulated investment amount (RMB0'000)	Shareholdings
Beijing Wanyi Technology Co., Ltd. (北京玩驛科技有限公司)	572.00	572.00	20.80%
Hangzhou Samdi Science & Technology Co., Ltd. (杭州杉帝科技有限公司)	594.00	594.00	19.80%
Shanghai Xiaozhuo Robot Co., Ltd. (上海霄卓機器人有限公司)	396.00	396.00	9.90%
Pearl Jiu Information Technology Limited (深圳九明珠信息科技有限公司)	1,984.50	1,984.50	28.15%
Shenzhen Pude Technology Co., Ltd. (深圳普得技術有限公司)	200.00	200.00	2.59%
Sichuan Airocov Science & Technology Co., Ltd. (四川星網雲聯科技有限公司)	995.00	696.50	29.85%
Wuhan Beisi Kai'er Information Technology Co., Ltd. (武漢倍思凱爾信息技術有限公司)	297.00	297.00	14.85%
Wuhan Dafeng Xiongdi Network Technology Co., Ltd. (武漢大風兄弟網絡科技有限公司)	582.00	582.00	7.70%
Wuhan Dao Sen Media Co., Ltd. (武漢道森媒體股份有限公司)	1,980.00	1,980.00	5.43%
Wuhan Forworld Technology Limited (武漢市風奥科技股份有限公司)	540.00	540.00	30.00%
Wuhan Easylinkin Technology Co., Ltd. (武漢慧聯無限科技有限公司) (Note)	300.00	300.00	3.69%
Wuhan Linptech Co., Ltd. (武漢領普科技有限公司)	1,038.00	1,038.00	10.46%
Wuhan Qingchun Rancheng Cultural Development Co., Ltd. (武漢青春燃城文化發展有限公司)	198.00	198.00	39.60%
Wuhan Ball Way Co., Ltd. (武漢球之道科技有限公司)	485.00	485.00	9.70%
Wuhan Xinzheku Electronic Commerce Co., Ltd. (武漢莘者酷電子商務有限公司)	796.00	796.00	16.54%
Wuhan Shiyipingmi Technology Company Limited (武漢十一平米科技有限責任公司)	290.00	290.00	20.00%
Wuhan Shiyipingmi Investment Company Limited (武漢十一平米投資有限責任公司)	11.00	11.00	55.00%
Wuhan Xunniu Technology Company Limited (武漢迅牛科技有限公司)	600.00	600.00	8.99%
Wuhan Yiyantang Cultural Communication and Development Co., Ltd. (武漢亦言堂文化傳播發展有限公司)	297.00	297.00	16.50%
Wuhan SunEn-Tech Co., Ltd. (武漢中地西能科技有限公司)	600.00	300.00	24.00%
Changsha Embedded Electronic Technology Co., Ltd. (長沙英倍迪電子科技有限公司)	990.00	990.00	15.23%
Wuhan Shifei Technology Co., Ltd. (武漢視飛科技有限公司)	693.00	693.00	14.85%
Wuhan Lishicheng Robotic Technology Co., Ltd. (武漢理事誠機器人科技有限公司)	825.00	450.00	24.75%
Shanghai Jiayun Information Technology Co., Ltd. (上海嘉筠通信技術有限公司)	445.50	445.50	9.90%
	15,709.00	14,735.50	

Note: Only refers to the investment of OVU Fund managed by Lingdu Capital.

Other Industrial Park Operation Services

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 "intelligence park system", 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. Combining 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 tested the competence of its business units to fully prepare for the marketization of the output, online and offline facilities and equipment integrated operation service in 2019.

Incubator and Office Sharing Services

During the Reporting Period, the Group's controlling subsidiary – OVU Technology was fully responsible for the operation of OVU Maker Star. During the Reporting Period, the output was RMB55.0 million.

As at 31 December 2018, there were 33 OVU Maker Star sites distributed in 17 cities across the country, including Wuhan, Shenzhen, Qingdao, Hefei, Xi'an, Beihai, Ezhou and Huangshi, representing an increase of 8 sites as compared to 2017, with a management area of 397,000 sq.m. Among the 33 OVU Maker Star sites, 16 are located in Wuhan city, creating more than 17,000 jobs, and the average leasing rate thereof was above 85.0%. We provided services for over 800 teams in total accumulatively. The innovation team and small and micro enterprises which settled down were extremely energetic, and realized the synergistic development with the businesses such as industrial investment and industrial park space leasing. Through the cooperation with China Electronics International Information Service to operate the CEC i-Valley Project in Shenzhen Huaqiang North, the pace of opening up the business in first-tier cities of the Company was accelerated.

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 activities for parks, such as blind dates and social parties. These services were all highly praised by the enterprise residents and their staff, helping the Group to strengthen its customers' loyalty.

INDUSTRIAL INVESTMENT

Since the end of 2016, the Group has invested in three industrial funds of CLP Zhongjin Fund and Lingdu Capital Management, having financing investments in 40 leading enterprises engaging in integrated circuit, information security, Internet-of-Things, big data, intelligence equipment, artificial intelligence, sports and competition, culture and entertainment and intelligent park service.

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. 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 2018. Easylinkin Technology's post-investment valuation was approximately RMB830 million. In 2018, operating income of Easylinkin Technology amounted to over RMB200 million, demonstrating a rapid business growth. The Group has changed from investment in an associate to a financial investment role, and recognised the gain of approximately RMB131.9 million from investment in Easylinkin Technology through financial assets at fair value through profit or loss during the year.

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. The operating income of Huada Beidou in 2017 was approximately RMB33.2 million, while the operating income of in 2018 was over RMB100 million, which showed a significant growth in results. 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.

PROSPECT FOR 2019

2019 is the first year after China's reform and opening up for 40 years, and also the first year for the Group to move towards a new growth period. The Company will, at a new starting point, implement high-quality "one platform and two methodologies", being "Industrial Resource Sharing Platform", "System Planning" Methodology and "Integrated Operation" Methodology, in accordance with the major requirements from CEC building a strategic and core theme with competitiveness as well as deepening the market-based structural reform. The Company will also deepen transformation and reform, further enhance organizational capability, seize the development opportunities, focus on its strengths and overcome weaknesses, and achieve steady growth of income, striving for an achievement with industrial park leasing and industrial park operation service income in aggregate accounting for more than 50% in the end of the year of the new growth strategic period, i.e. 2022, achieving solidly a change in the income structure, and setting itself off again to achieve more goals.

STRATEGIES OF THE GROUP

Further promote the construction of the "Industrial Resource Sharing Platform"

Constructing the "Industrial Resource Sharing Platform" is the business essence and core value of the Group's integrated operation business. Through an effective resource integration in respect of enterprises, people, construction, equipment, capital, technology, brands and services, the Company effectively promotes the industry cluster and achieves an aim of resource sharing. In 2019, the Company will further promote the construction of the "Industrial Resource Sharing Platform", especially to strengthen the formation of a strategic partnership system, fully engage with the core resources of CEC, strengthen comprehensive cooperation with local platform companies, tap into the social capital and social group resources and serve high-quality regional economic development and industrial upgrading.

Seeking a regional comprehensive development and creating a new circumstance of new growth

In 2019, the Company will maximise brand advantages of companies in urban areas such as Qingdao, Hefei, Wuhan, Shenyang, Changsha, Wenzhou, Ezhou, Xi'an, Huangshi, Huanggang and Chengmai (Hainan). On the basis of ensuring the steady development of the industrial park development business, we will actively coordinate with the industry chain business in the system and seek regional comprehensive development and achieve high-quality business development. We will accelerate the progress of new projects in Chengdu, Shanghai, Xianyang, Ningbo, Luoyang and other cities, give full play to the brand advantages of CEC and CEOVU, strive to establish a foothold, expand the scale of parks, strengthen business synergies, bring our regional integration advantages into play, and strive to proceed to a new stage in the new growth period.

Promote rapid development of consulting management and EPC business with "System Planning Methodology" as a guide

In 2019, we will take the "System Planning Methodology" as a guide to promote the rapid development of consulting management, Engineering Procurement Construction ("EPC") and other businesses. The "System Planning Methodology" is an important tool that can help us to adapt to local conditions and explore economic development in different regions, solve industrial agglomeration, as well as promote industrial upgrading. In 2019, we continue to deepen the diversified development of consulting business centred on system planning and industrial upgrading solutions. While effectively integrating various resources and promoting industrial clusters, we will create an industrial ecology to serve regional economic development and industrial upgrading.

The consulting business concerns regional urban development strategies, industrial ecology needs and functional planning. We must give full play to our accumulated experience of professional success, make good use of the "System Planning", leverage on the advantages of the fact that CEC system has long been successful in cooperating with local governments, adapt to local conditions and expand our business in multiple channels comprehensively. At the same time, relying on the promotion of consulting business, we will fully utilise the company's qualifications and introduce a number of industrial chain businesses such as EPC, DHC, integrated operation, shared office, industrial investment, and interior decoration to form a synergistic development effect. As of the date of the publication of this results announcement, the Group's CLP Optics Valley Design Institute is the leader of the EPC business. It has successfully won the bid for the Xianyang Qidian Science and Technology City project with a total cost of RMB3.3 billion. Other EPC businesses are also under active planning.

Upgrade the operating business system of the Industrial Park based on "integrated operation" to reach a new level

In 2019, with the assistance of the intelligent park system, the industry chain business represented by Lido Property, OVU Maker Star, Quanpai Catering, Real estate company and CEC Energy Conservation requires positive synergy for empowering urban companies and providing professional support to the system, assisting urban companies to construct an industrial system and create the capability of integrated operation. It also accelerates its organizational transformation to create an opportunity to a new business growth and breakthrough.

Urban companies in Wuhan, Qingdao, Heifei, Shenyang, Xi'an, Huangshi and Huanggang need to actively promote the transformation of integrated operation under professional abilities, professional qualifications and support of the business system of industrial chain company, having its integrated operation business to become bigger and stronger gradually. Under the premise of operating a self-owned industrial park with good performance, it is going to take the initiative to undertake industrial park operation business and expand into a broader operating markets.

Opening up our minds and establish a corporate culture conducive to deepening transformation and reform

The premise of organizational reform is to change our concept. In 2019, we will further open up our minds, abandon our old practice to stick with the past, avoid being mindless and indifferent, in order to enhance the insight and imagination of our management in the new growth period, and establish a corporate culture conducive to deepening transformation and reform.

FINANCIAL REVIEW

Revenue

The revenue of the Group is generated from the income from industrial park space services and industrial park operation services. During 2018, the revenue of the Group was RMB3,001.1 million during the year, increasing by RMB308.2 million or 11.4% as compared to the same period of 2017.

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

	For the year ended 31 December			
	2018		2017	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Industrial park space services	1,846,275	61.5	1,861,972	69.1
Sales of industrial park	1,662,153	55.4	1,721,922	63.9
Self-owned park leasing	166,314	5.5	108,055	4.0
Sales of ancillary residentials	17,808	0.6	31,995	1.2
Industrial park operation services	1,154,862	38.5	830,927	30.9
Design and construction services	472,934	15.8	392,322	14.6
Property management services	448,360	14.9	291,711	10.8
Energy services	96,123	3.2	72,542	2.7
Group catering and hotel services	51,871	1.7	43,397	1.6
Industrial park financial services	26,304	0.9	10,000	0.4
Others	59,270	2.0	20,955	0.8
Total	3,001,137	100.0	2,692,899	100.0

Industrial Park Space Services

In 2018, the revenue of the industrial park space services of the Group was RMB1,846.3 million, which remained basically stable compared to the income of 2017. Among which, the sales income from industrial park was RMB1,662.2 million, representing a decrease of 3.5% as compared to the same period of 2017, with a booked sales area of 330,000 sq.m., representing an increase of 18.3% as compared to the same period last year, which was mainly attributable to the higher unit price of the Hefei Financial Harbor Project and the Creative Capital Project, of which the recognized revenue accounted for decreased as compared to 2017. It is noteworthy that the proportion of income from sale of industrial park to total revenue decreased from 63.9% in 2017 to 55.4% in 2018, representing a decrease of 8.5 percentage points. The Company is gradually getting rid of the over-reliance on the sales business of the industrial park. Industrial park leasing income was RMB166.3 million, representing an increase of 53.9% as compared to the same period of 2017, with a self-owned property lease area of 276,000 sq.m.. The occupancy rate was over 81.0%. The leasing of high quality properties steadily contributed to the revenue of the Company. There were no new residential property projects in 2018, but there was a remaining sales income of RMB17.8 million from Lido 2046 project.

Industrial Park Operation Services

During 2018, the revenue of the park operation services was RMB1,154.9 million, representing an increase of 39.0% as compared to the same period of 2017. After four years of transformation and reform, the Group provides a variety of integrated operation service to enterprises stationed in our industrial park, including design and construction services (including governmental procurement services, PPP services, EPC integrated design and construction services and project management and consultation services), property management services, energy services, intelligent park services, incubator and office sharing services, industrial park financial services, group catering and hotel services, real estate marketing and agency, apartment leasing and recreation and entertainment. The income from industrial park operation services accounted for 38.5% of the total revenue in 2018. In terms of composition, the income from design and construction services and property management services accounted for 79.8% of the income from industrial park operation services, and is the major source of income of the industrial park operation services currently.

COST OF SALES

Overview

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

During 2018, cost of sales of the Group was RMB1,965.1 million, increased by RMB259.3 million as compared to the same period of 2017. For the years ended 31 December 2017 and 2018, cost of sales of the Group accounted for approximately 63.3% and 65.5% of the Group's revenue, respectively.

Cost of Sales of Industrial Parks

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

During 2018, the cost of properties sold of the Group was RMB1,054.4 million, increasing by RMB8.8 million or 0.8% as compared to the same period of 2017. For the years ended 31 December 2017 and 2018, cost of properties sold of the Group accounted for 61.3% and 53.7% of its total cost of sales, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, during 2018, overall gross profit of the Group was RMB1,036.1 million, increasing by RMB48.9 million as compared to the same period of 2017. Overall gross profit margin was 34.5%, decreasing by 2.2 percentage points as compared to 36.7% of last year.

Other Income and Gains/(Losses) — NET

During 2018, other income and gains of the Group was RMB223.9 million, as compared to loss of RMB22.3 million for the same period of 2017, primarily consisted of gains amounting to RMB131.9 million from investment in Easylinkin Technology through the financial assets at fair value through profit or loss by the Group, gains amounting to RMB30.0 million from dilution of the Group's equity interest in Easylinkin Technology due to the capital injection from other investors and gains amounting to RMB46.7 million from the disposal of some investment properties by the Group.

Selling and Distribution Expenses

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

During 2018, selling and distribution expenses of the Group was RMB86.1 million, which have increased by RMB4.8 million as compared to the same period of 2017. For the years ended 31 December 2017 and 2018, selling and distribution expenses of the Group accounted for approximately 3.0% and 2.9% of the Group's revenue, respectively.

Administrative Expenses

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

During 2018, administrative expenses of the Group was RMB295.3 million, increasing by RMB36.9 million as compared to the same period of 2017, primarily due to the increase in staff costs and office administration expenses as a result of increase in subsidiaries as the Group adopted a prudent but expansive operation strategy in 2018. For the years ended 31 December 2017 and 2018, administrative expenses of the Group accounted for approximately 9.6% and 9.8% of the Group's revenue, respectively, which remained basically stable.

Fair Value Gains on Investment Properties

During 2018, gains from changes in fair value on the Group's investment properties were RMB57.4 million, decreasing by RMB189.2 million as compared to the same period of 2017, primarily due to the disposal of some investment properties by the Group during the year.

For the years ended 31 December 2017 and 2018, the fair value gains on investment properties contributed to 29.7% and 6.4% of the Group's profit before income tax, respectively. The decrease in weighting of fair value gains in the profit for the year was mainly attributable to an increase in profit from the Group's core business and a decrease in the gains from changes in fair value.

Finance Income

During 2018, finance income of the Group was RMB67.7 million, increased by RMB17.5 million as compared to the same period of 2017, primarily due to an increase of gains from wealth management as the Group enhanced the management of idle funds.

Finance Costs

During 2018, finance costs of the Group was RMB177.6 million, increased by RMB59.9 million as compared to the same period of 2017, primarily due to the increase of the Group's interest-bearing liabilities.

Share of Profits of Associates

During 2018, the profits of associates shared by the Group was RMB64.3 million, representing an increase of RMB41.9 million as compared to the same period of 2017, primarily consisted of the Group's share of profits from its associates, Hainan Resort Software Community Group Co., Ltd* (海南生態軟件園集團有限公司).

Share of Profits of Joint Ventures

The Group had a share of profits of joint ventures of RMB16.8 million for the year ended 31 December 2018, which primarily consisted of the Group's share of profits from Ningbo Excellence Optics Valley Real Estate Co., Ltd.* (寧波卓越光谷置業有限公司).

Income Tax Expense

During 2018, income tax expense of the Group was RMB312.8 million, decreasing by RMB31.0 million as compared to the same period of 2017, which was primarily due to the decrease of RMB25.6 million in expenditure of LAT, where the effective tax rates of the Group were 41.4% and 34.6% for the years of 2017 and 2018, respectively.

Profit Attributable to Owners of the Company and Core Net Profit

As a result of the foregoing, during the year, the profit attributable to owners of the Company was RMB541.5 million, increased by RMB95.2 million as compared to the same period of 2017. However, after deduction of the post-tax fair value gains on investment properties and industrial investment business, the core net profit in 2018 was approximately RMB451.0 million, representing a increase of 49.9% as compared to the same period of 2017.

Basic Earnings Per Share

The basic earnings per share increased from RMB5.74 cents in 2017 to RMB7.07 cents in 2018.

FINANCIAL POSITION

Properties under Development

As at 31 December 2018, the carrying amount of the Group's properties under development was RMB2,356.8 million, which has increased by RMB387.5 million as compared to that as at 31 December 2017.

Completed Properties Held for Sale

As at 31 December 2018, the carrying amount of completed properties held for sale of the Group was RMB2,399.3 million, increased by RMB102.5 million as compared to that as at 31 December 2017, the main reason for which is that the increase in the amount of completed projects of the Group during the year was higher than the cost of the properties sold during the year.

Trade and Other Receivables

As at 31 December 2018, the Group's trade and other receivables was RMB2,152.8 million, increasing by RMB208.0 million as compared to that as at 31 December 2017, primarily due to an increase in trade receivables from sale of properties. In accordance with the terms of the relevant sale and purchase agreements, the model of recovery from sale of properties can be classified into bank mortgage loans, one-off payment or installment payments.

Trade and Other Payables

As at 31 December 2018, the Group's trade and other payables was RMB2,368.3 million, increased by RMB155.1 million as compared to that as at 31 December 2017, primarily due to the increase in the area of work-in-progress of the Group in 2018, which resulted in the increase of amounts payable for related contract work.

Liquidity and Capital Resources

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

In 2018, the Group's net cash outflow from operating activities was RMB354.1 million, which was mainly consisted of the increased expense of high quality industrial park land in cities such as Chengdu, Changsha, Luoyang and the increased construction expenses of industrial park project under construction where the area increased as compared to 2017.

In 2018, the Group's net cash inflow from financing activities was RMB826.9 million, which was mainly from the proceeds from the Company's issuance of medium-term notes and new bank borrowings drawn, partially offset by the repayment of bank borrowings, other borrowings, as well as the payment of interests and dividends.

KEY FINANCIAL RATIOS

Current Ratio

The current ratio of the Group, that is, total current assets divided by total current liabilities, decreased from 2.34 on 31 December 2017 to 1.65 on 31 December 2018. This is mainly due to the increase in the Group's bank loans and corporate bonds due within one year.

Net Gearing Ratio

The net gearing ratio of the Group, that is, interest-bearing debt less total cash to total equity ratio multiplied by 100%, increased from 19.1% on 31 December 2017 to 30.4% on 31 December 2018, mainly due to the expansion of interest-bearing debt at the end of the period.

Indebtedness

As at 31 December 2018, the Group's total outstanding indebtedness was RMB5,101.0 million, which have increased by RMB1,124.7 million as compared to that as at 31 December 2017.

As at 31 December 2018, the Group's unutilized banking facilities amounted to RMB1,214.0 million and unutilized other borrowings amounted to RMB2,300.0 million.

Contingent Liabilities

The Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of the Group's pre-sold properties. As at 31 December 2017 and 31 December 2018, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB770.6 million and RMB675.3 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 contracted work-in progress, short-term deposits with original maturities over three months, restricted assets and cash and cash equivalents. Total current assets of the Group were approximately RMB9,943.2 million as at 31 December 2018, as compared to RMB9,149.5 million as at 31 December 2017. As at 31 December 2017 and 31 December 2018, aggregate cash and cash equivalents of the Group amounted to approximately RMB2,133.6 million and RMB1,927.2 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, the current portion of deferred income and current tax liabilities. Trade and other payables mainly represent costs related to its development activities. Total current liabilities of the Group were approximately RMB6,038.9 million as at 31 December 2018, as compared to RMB3,903.7 million as at 31 December 2017.

As at 31 December 2018, the Group had net current assets of approximately RMB3,904.3 million as compared to RMB5,245.8 million as at 31 December 2017. The net current assets of the Group decreased mainly due to the increase of RMB1,563.0 million in bank loans and corporate bonds due within one year as compared to the beginning of the period.

Capital Expenditures and Capital Commitments

Capital expenditure of the Group increased by RMB129.9 million from RMB37.0 million in 2017 to RMB166.9 million in 2018. Capital expenditures of the Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 31 December 2017 and 31 December 2018, the Group's outstanding balances of its commitments related to property development expenditure and investment commitment were RMB1,310.2 million and RMB911.1 million, respectively.

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

Material Acquisitions

On 13 August 2018, China Elections Options Valley (Shenzhen) Industry Development Company Limited*(中電光谷(深圳)產業發展有限公司) ("CEOVU Shenzhen"), an indirect wholly owned subsidiary of the Company, entered into an agreement with Beijing Zhonghong Chengtou Property Co., Ltd.*(北京中宏誠投置業有限公司) ("Beijing ZHCT"), pursuant to which CEOVU Shenzhen has purchased, and Beijing ZHCT has sold, 35.0% of the equity interest of China Electronics Wenzhou Industrial Park Development Co., Ltd.*(中國電子溫州產業園發展有限公司) for the consideration of RMB233.5 million.

On 13 August 2018, the transaction was completed. There is no material acquisition affecting the Group after the year ended 31 December 2018.

Material Disposals

On 31 October 2018, the Group (through China Electronics Optics Valley Union Company Limited and Wuhan OVU, both being wholly-owned subsidiaries of the Company) and Chengdu Xingu Business Parks Development Co., Ltd.*(成都芯谷產業園發展有限公司) (the "JV Company") (which was a wholly-owned subsidiary of Wuhan OVU prior to the completion of this transaction) entered into a Capital Injection Agreement with Chengdu Shuangliu Xingcheng Construction Investment Co., Ltd.*(成都雙流興城建設投資有限公司) ("Shuangliu Xingcheng"), pursuant to which the Group agreed to contribute in aggregate RMB390.0 million, and Shuangliu Xingcheng agreed to contribute RMB100.0 million, for the increase in the registered capital of the JV Company (the "Capital Contribution"). As the Group's interest in the JV Company would be diluted from 100.0% to 80.0% following completion of the Capital Contribution, the Capital Contribution constituted a deemed disposal of the Group's interest in the JV Company pursuant to the Listing Rules.

The transaction was completed on 16 November 2018. Upon completion of the Capital Contribution, the registered capital of the JV Company increased from RMB10.0 million to RMB500.0 million and the JV Company has become owned as to 80.0% by the Group and 20.0% by Shuangliu Xingcheng and has remained as a subsidiary of the Company.

There is no material disposal affecting the Group after the year ended 31 December 2018.

Significant Events After the End of the Year

There are no significant subsequent events affecting the Group which have occurred since 31 December 2018 and up to the date of this annual report.

Employees

As at 31 December 2018, the Group had 5,481 full-time employees. The employment cost of the Group was approximately RMB487.9 million for the year ended 31 December 2018. 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. The remuneration package of the employees includes basic salaries, allowances, bonuses and other employee benefits. The Group has implemented measures for assessing employees' performance and promotion and a system of employee compensation and benefits. The remuneration packages of employees include salaries and bonuses. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority.

Pursuant to the relevant labor rules and regulations in China, the Group participates in statutory contribution pension schemes which are administered and operated by the relevant local government authorities. The Group is required to make contributions to such schemes from 18.0% to 20.0% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension payable to retired employees. The Group's contributions to the statutory contribution pension schemes are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in such contributions.

Pledged Assets

As at 31 December 2018, the Group had pledged certain of its assets with a total net book value of RMB1,609.0 million for the purpose of securing outstanding bank borrowings and corporate bonds, including investment properties, properties under development for sale, completed properties held for sale and property, plant and equipment and restricted cash.

Market Risks

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

Liquidity Risk

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

Interest Rate Risk

The Group is exposed to interest rate risks, primarily relating to its bank loans and other borrowings, which had an outstanding amount of RMB5,101.0 million as at 31 December 2018. The Group undertakes debt obligations to support its property development and general working capital needs. Soaring interest rates may increase the cost of its financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of its debt obligations. The Group currently does not carry out any hedging activities to manage its interest rate risk.

Foreign Exchange Risk

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

Credit Risk

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

EVENT AFTER BALANCE SHEET DATE

For the major events that occurred after the balance sheet date, please refer to note 39 to the Consolidated Financial Statements on page 214.

Investor Relations

The Group maintained effective communication with Shareholders and investors as well as information transparency. To enhance communication between investors, following its listing, the Group set up a special institution dedicated to establishing effective communication channels for Shareholders and investors. The Group also set up an information disclosure group that consists of responsible persons from the relevant departments of the Group, with an aim to better coordinate information disclosure and improve the transparency and standardization of information disclosure of the Group.

In addition to the publication of interim and annual results, regular analyst meetings and investors roadshows, the Group also makes use of other means, such as e-mail, telephone meetings, investors meetings and project on-site visits, to ensure that Shareholders and investors have access to the Group's latest information. In the meantime, we seek to obtain market feedback on the Group through communications with investors, which will enhance the Group's managerial decision-making process and allow us to provide better information services to investors.

As of the date of this annual report, the Board consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The following sets forth the profile of the Directors and senior management of the Company:

EXECUTIVE DIRECTORS

Mr. Huang Liping (黃立平), aged 57, is the chairman of the Board, an executive Director, the president and chairman of the Nomination Committee and a member of the Financial Control Committee of the Company. Mr. Huang joined the Group in 1998, and was appointed as a Director on 15 July 2013. He is responsible for the overall strategy, business and investment planning of the Group. Mr. Huang has over 25 years of experience in business management. He was one of the founders of Hongtao K Group Company Limited* (紅桃開集團股份有限公司). He also served as a director and the chairman of the board of Wuhan East Lake High Technology. Mr. Huang was the vice chairman of Wuhan United Real Estate from September 1998 to December 2002 and has been the chairman of the board of Wuhan United Real Estate since December 2002. He has also been the chairman of the board of Wuhan OVU since June 2005.

Mr. Huang obtained his bachelor's degree in vessels and ports electrification from Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan Institute of Water Transportation Engineering (武漢水運工程學院)) in July 1983 and his double bachelor's degree in law from Central China Normal University (華中師範大學) in June 1986. He is qualified as a professor in economics management and as a real estate appraiser. Mr. Huang is the President of Art Gallery Association, Wuhan, China and President of Wuhan Cultural and Creative Industries Association. Mr. Huang has received various honors, awards and recognitions, including Award for Wuhan's Outstanding Entrepreneurial Youth in Technology* (武漢傑出科技青年創業獎), Top Ten Persons in Wuhan Real Estate Sector* (武漢地產十大風雲人物), Medal of May First Honorable Workers in Hubei Province* (湖北五一勞動獎章), Hubei Outstanding Entrepreneurs for Year 2002 (Golden Bull Award)* (2002年度湖北省優秀企業家(金牛獎)), Star of Wuhan Charity and Public Interest Affairs* (武漢慈善公益之星), expert with special allowance of the State Council, etc..

Mr. Hu Bin (胡斌), aged 50, is an executive Director and the executive president and member of the Remuneration Committee of the Company. Mr. Hu joined the Group in 1997 and was appointed as a Director on 6 March 2014. He is responsible for assisting the president of the Group on the overall business operation and management. He has been a vice general manager of Wuhan United Real Estate since 1997 and a director of Wuhan OVU since July 2005 (including serving as a vice chairman since May 2011). Mr. Hu has 21 years of experience in business management. Mr. Hu graduated from Hubei University of Economics (湖北經濟學院) (formerly known as Hubei Planning and Management Cadres College (湖北省計劃管理幹部學院)) in the bachelor's program of national economic management and from South-Central University for Nationalities (中南民族大學) in the master's program of China's ethnic economy in June 2003. He obtained the qualification as a senior economist in real estate. Mr. Hu was awarded One of the China Real Estate Top 100* (中國房地產百傑) in 2006 and Medal of May Day Honorable Workers in Wuhan* (武漢五一勞動獎章) in April 2012.

NON-EXECUTIVE DIRECTORS

Mr. Zhang Jie (張傑), aged 49, is a non-executive Director of the Company appointed on 12 June 2014. Mr. Zhang has over 23 years of experience in real estate management. Mr. Zhang is currently the general manager of the property construction and operation centre of Sunshine Insurance Group Corporation Limited* (陽光保險集團股份有限公司), a shareholder of the Company, the Chairman of Beijing Sunshine Ronghe Property Company Limited* (北京陽光融和置業有限公司), and the managing director of Hainan Sunshine Yihe Development Company Limited* (海南陽光頤和發展有限公司) and Hainan Sunshine Xinhai Development Company Limited* (海南陽光鑫海發展有限公司), both being subsidiaries of Sunshine Insurance Group Corporation Limited. Mr. Zhang worked with COFCO Corporation (中糧集團有限公司) from August 1993 to November 2011, during which he served as the assistant manager of three departments at COFCO Property Development Company Limited* (中糧置業發展有限公司), namely: the management department, the technology and equipment department and the director of engineering, assistant to the president and subsequently vice president of Sanya Yalong Development Company Limited* (三亞亞龍灣開發股份有限公司). Mr. Zhang was a committee member of the Sanya Municipal Committee of the Fifth Chinese People's Political Consultative Conference from January 2007 to January 2012 and a committee member of the Sanya Municipal Committee of the Sixth Chinese People's Political Consultative Conference from January 2012 to January 2017, and he has been a member of the Standing Committee of the Sanya Municipal Committee of the Seventh Chinese People's Political Consultative Conference since January 2017. Mr. Zhang has also been the vice president of the Sanya Real Estate Association since 2002. Mr. Zhang graduated from Tsinghua University with a bachelor's degree in engineering in June 1993, and obtained a master's degree in engineering majoring in real estate management from Tsinghua University in May 2004. Mr. Zhang obtained a certificate of national registered real estate appraiser issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China in May 1998, and a certificate of supervising engineer issued by the Beijing Municipal Commission of Housing and Urban-Rural Development in December 1998.

Ms. Wang Qiuju (王秋菊), aged 52, is a non-executive Director of the Company appointed on 29 December 2016. Ms. Wang is a member of the Audit Committee. Ms. Wang is currently the financial controller of CE Huada Technology (Hong Kong Stock Code: 00085) (the controlling shareholder of the Company), a director of Zhuhai Southern Software Park Development Co., Ltd.* (珠海南方軟件園發展有限公司), a subsidiary of China Electronics International Information Service (a subsidiary of CEC). Ms. Wang was previously the head of the finance department, financial controller, chief accountant and general manager of the finance department of China Electronics International Information Service (an indirect subsidiary of CEC) and a member of the supervising committee of Shenzhen SED Industry Co., Ltd. (Shenzhen Stock Code: 000032) (an indirect subsidiary of CEC). Ms. Wang graduated from Hangzhou University of Electronics and Technology* (杭州電子工業學院) with a bachelor's degree in industrial financial accounting and from the School of Economics of Xiamen University with a master's degree in finance. Ms. Wang is also qualified as a senior accountant.

Mr. Xiang Qunxiong (向群雄), aged 54, is a non-executive Director of the Company appointed on 29 December 2016. Mr. Xiang is currently the secretary to the Board and the principal legal consultant of China Electronics International Information Service, the vice general manager of China Electronics Shenzhen Company Limited* (深圳中電投資股份有限公司) (an indirect subsidiary of CEC) and a consultant of CE Huada Technology. Mr. Xiang has held various positions in China Electronics Shenzhen Company Limited, including being the legal consultant, deputy director in charge of the legal affairs department, head of the general manager's office and head of legal affairs, supervisor of the Company and vice general manager of the Company. Mr. Xiang was admitted to practise law in the People's Republic of China and is a registered corporate lawyer. He was granted the second class legal consultant title for state-owned companies of the People's Republic of China in January 2015 and was appointed as arbitrator of Shenzhen Court of International Arbitration (also known as the "Shenzhen Arbitration Commission" and the "South China International Economic and Trade Arbitration Commission") by Shenzhen Court of International Arbitration in November 2018. Mr. Xiang graduated from Zhongnan University of Economics and Law (formerly known as Zhongnan Institute of Politics and Law) with a master's degree in law in January 1993.

Ms. Sun Ying (孫穎), aged 36, is a non-executive Director of the Company appointed on 22 March 2018. Ms. Sun is currently the deputy general manager (副總經理) of Hubei Science & Technology Investment, a shareholder of the Company. Ms. Sun previously worked at the deputy division level (副科級) and division level (正科級) of Wuhan East Lake High-tech Development Zone Development and Reform Bureau* (武漢東湖新技術開發區發展改革局) throughout April 2010 to September 2016. Ms. Sun is a member of China Zhi Gong Party* (致公黨黨員). Ms. Sun graduated from University of Freiburg (Albert-Ludwigs-Universitat Freiburg im Breisgau) in 2009 with a master's degree in national economics and from Huazhong University of Science and Technology (華中科技大學) in 2015 with a PhD in western economics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qi Min (齊民), aged 68, is an independent non-executive Director of the Company appointed on 28 March 2014. Mr. Qi is the chairman of the Remuneration Committee, and a member of the Audit Committee and Nomination Committee of the Company. Mr. Qi previously worked in Hubei Provincial Bureau of Statistics, general office and research office of Hubei Provincial Government, and served as a director of fiscal office of CPC Hubei Province (中共湖北省委). He served as a director and a vice general manager of Hubei Qingjiang Hydroelectric Development Co., Ltd.* (湖北清江水電開發有限責任公司), a director and a vice general manager of Wuhan Hi-Tech Holding Group Co., Ltd.* (武漢高科國有控股集團有限公司), the chairman of board of Wuhan Sante Cableway Group Co., Ltd.* (武漢三特索道集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen stock code: 002159) and a part-time professor of Huazhong University of Science and Technology (formerly known as Huazhong University of Science). Mr. Qi is also the vice president of Hubei Association of Economics, and a supervisor of Humanwell Healthcare Group Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai stock code: 600079). Mr. Qi obtained his bachelor's degree in economics from Wuhan University (武漢大學) in August 1982 and obtained his doctor's degree in economics from Huazhong University of Science and Technology (華中科技大學) in June 2002. He was granted the qualification as a senior economist. Mr. Qi was granted the award China's Outstanding Entrepreneur in Technology Companies in November 2002.

Mr. Leung Man Kit (梁民傑), aged 65, is an independent non-executive Director of the Company appointed on 28 March 2014. Mr. Leung is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Leung is an independent non-executive director of NetEase (NASDAQ: NTES), a NASDAQ listed company, China Ting Group Holdings Limited, a company listed on the Stock Exchange (Hong Kong stock code: 3398), Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company listed on the Stock Exchange (Hong Kong stock code: 1132) and Luye Pharma Group Ltd., a company listed on the Stock Exchange (Hong Kong stock code: 2186).

Mr. Leung held senior positions with Peregrine Capital Limited, SG Securities (HK) Limited (formerly known as Crosby Securities (HK) Limited) and UBS, AG, Hong Kong Branch. Mr. Leung was a director of Emerging Markets Partnership (Hong Kong) Limited, the principal advisor to the AIG Infrastructure Fund L.P., a director of Nuada Capital Limited (formerly known as Genesis Global Strategies Limited) and a corporate finance executive of BZR Capital Limited. Mr. Leung was an executive director of Unitas Holdings Limited, a company listed on the Stock Exchange (Hong Kong stock code: 8020), an independent non-executive director of Infoserve Technology Corp., a company listed on the Stock Exchange (former Hong Kong stock code: 8077), Anhui Expressway Company Limited, a company listed on the Stock Exchange (Hong Kong stock code: 0995), Junefield Department Store Group Limited, a company listed on the Stock Exchange (Hong Kong stock code: 0758) and China Huiyuan Juice Group Limited, a company listed on the Stock Exchange (Hong Kong stock code: 1886). Mr. Leung has 16 years of experience in financial management. He has been the chairman of the audit committee of various listed companies, and attended seminars in accounting or auditing. Mr. Leung obtained his bachelor's degree in social science from the University of Hong Kong in October 1977.

Ms. Zhang Shuqin (張樹勤), aged 65, is an independent non-executive Director of the Company appointed on 28 March 2014. Ms. Zhang is a member of the Remuneration Committee and the Nomination Committee of the Company. Ms. Zhang was appointed as an independent non-executive director of Wuhan Optics Valley Union in April 2011. Ms. Zhang founded Hubei Dasheng Law Firm* (湖北大晟律師事務所) in 1995 and has been a managing partner of the firm since then. Hubei Dasheng Law Firm was engaged by a subsidiary of Hubei Science & Technology Investment as its legal compliance advisor with a term from 1 July 2017 to 30 June 2018. As confirmed by Ms. Zhang, the legal fee received by Hubei Dasheng Law Firm from such subsidiary is insignificant as compared to the firm's total revenue. Ms. Zhang was engaged as an arbitrator by Wuhan Arbitration Commission in January 1997. Ms. Zhang ceased to be an independent non-executive director of Wuhan Gaode Hongwai Group Company Limited* (武漢高德紅外股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen stock code: 002414), since April 2014. Ms. Zhang obtained her bachelor's degree in Chinese from Central China Normal University (華中師範大學) in January 1982. She holds the title of first grade lawyer. Ms. Zhang was awarded as one of the Outstanding Lawyers in 1987 and 1989 and one of the Capable Women in Wuhan* (武漢市女能人) in the Year of 1992 by Wuhan Federation of Trade Unions.

SENIOR MANAGEMENT

Ms. Chen Huifen (陳惠芬), aged 56, is the vice president of the Group and is responsible for coordination in the Central China region. Ms. Chen joined the Group in August 2005 and was appointed as an executive Director of the Company from 6 March 2014 to 29 December 2016. Ms. Chen is responsible for construction in Research Innovation Center (Phase III), Wuhan Hi-tech Medical Devices Business Park, Wuhan Future Technology City and Biolake Innovation Business Park finishing work. She concurrently serves as the chairperson of many companies such as Wuhan Ji Tian Construction Engineering Company Limited, Huanggang Optics Valley Union Development Co Ltd.* (黃岡光谷聯合發展有限公司), Luoyang China Electronics Optics Valley Information Harbour Industry Co., Ltd.*(洛陽中電光谷信息港實業有限公司), Changsha China Electronics Industrial Park Development Co., Ltd.*(長沙中電產業園發展有限公司). Ms. Chen was the vice general manager of Wuhan OVU from 2005 to March 2008 and had been the vice president of Wuhan OVU since April 2008. Before joining the Group, she worked at Wuhan City Third Construction Engineering Co., Ltd.* (武漢市第三建築工程公司), Wuhan City Comprehensive Development General Co., Ltd.* (武漢市城市綜合開發總公司) and Wuhan East Lake High Technology. Ms. Chen received her college diploma in industrial enterprise operation management from Wuhan City University of Broadcast and Television* (武漢市廣播電視大學) in July 1986 and graduated from the Party School of the Central Committee of Hubei Province* (中共湖北省黨校) in economics management (a training program) in February 2001. Ms. Chen is qualified as a senior engineer, an international senior project manager, a registered property valuer and a senior engineer in cost engineering.

Mr. He Haihua (賀海華), aged 56, is the vice president of the Group. Mr. He joined the Group in September 2016 and is responsible for the work of Chengdu Xin Gu Industrial Park Development Company Limited. Mr. He graduated from the School of Economics and Management of Tsinghua University with a master's degree of business administration. He has held the positions of the director of Planning Department and secretary of the Discipline Inspection Committee of the Sixth Research Institute of Electronics Department (the Sixth Electronics Research Institute of the Ministry of Information Industry), the deputy director of the central research institute of Rainbow Group, the general manager of Hua Ke High Technology Company Limited, the general manager of Hua Bei Computer System Engineering Research Institute and the deputy general manager of CE Huada Technology (Hong Kong stock code: 00085) and the general manager of CEC Technology.

Ms. Shu Chunping (舒春萍), formerly known as Shu Ru (舒茹), aged 56, the vice president of the Group and is responsible for the coordination of the Southern region. Ms. Shu is also serving as the chairperson of Hengqin China Electronics Youpu Cloud Data Limited, the general manager of China Electronics Optics Valley (Shenzhen) Industrial Development Co., Ltd. *(中電光谷(深圳)產業發展有限公司) and the vice general manager of CEC Technology. Ms. Shu joined the Group in March 2005 and had been a joint director of Wuhan OVU since then. She was an non-executive Director of the Company from 6 March 2014 to 29 December 2016. Ms. Shu previously held senior positions in Wuhan Sante Cableway Group Co., Ltd.* (武漢三特索道集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen stock code: 002159), Wuhan Nanyang Catering & Entertainment Co., Ltd.* (武漢南陽美食娛樂有限公司), Wuhan Hi-Tech Holding Group Co., Ltd.* (武漢高科國有控股集團有限公司), Wuhan East Lake High Technology and Hubei Science & Technology Investment. Ms. Shu received her master's degree in politics and economics from Central China Normal University (華中師範大學) in December 1999.

Mr. Wang Yuancheng (王元成), aged 54, is the vice president of the Group. Mr. Wang joined the Group in 1996 and serves as the general manager of Qingdao OVU and the chairman of Hefei OVU and Lido Technology. He served as the manager of comprehensive technique department of Wuhan United Real Estate from 1996 to 2000, the general manager of Wuhan Lido Technology from 2000 to 2010 and has been the director of Wuhan Lido Technology since 2000. Mr. Wang received his college diploma in municipal construction engineering from Jianghan University (江漢大學) in August 1986 and obtained his master's degree in business administration from the University of Northern Virginia in July 2008. He is qualified as an engineer. Mr. Wang was awarded the Excellent Enterprise Manager in Wuhan district.

Mr. Chen Tongju (陳同舉), aged 53, is the vice president of the Group and the general manager of human resources centre of the Group. He is responsible for the party-masses work and the safety and production work of the Group. He is also in charge of the work of the general office of the Group, the department of intelligent industrial parks, Wuhan Lido Property Management, Shenzhen Lanyu Intelligent Company Limited* (深圳藍域智能有限公司), Wuhan Quanpai Catering Management Co., Ltd., and Ziyuan Hotel. Mr. Chen joined the Group in 1996. He served as a director and supervisor of Wuhan United Real Estate from 1996 to 2011 and has been an executive director of Wuhan Lido Property Management and Wuhan Quanpai Catering Management, and an executive director an a general manager of Wuhan Ziyuan Hotel Management. Mr. Chen received his bachelor's degree in law from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Economics (中南財經大學)) in July 1987 and his master's degree in western philosophy from Wuhan University (武漢大學) in July 1993. Mr. Chen was elected as the chairman of Hongshan Area Property Management Association and the vice chairman of Wuhan City Property Management Association in February 2006. Mr. Chen is qualified as a lecturer by Wuhan University and was awarded the Top Ten Talents in Brand Building* (創名牌十大優秀人物) in Wuhan, the Best Leader* (最佳領導人) in property management in Wuhan and the honour of China Property Management Outstanding Contribution Entrepreneurs* (中國物業管理傑出貢獻企業家).

Ms. Yao Hua (姚華), aged 47, is the assistant president of the Group and the general manager of Huanggang Optics Valley Union Development Co Ltd.. Ms. Yao joined the Group in 1998. Ms. Yao was the head of sales and marketing of Wuhan United Real Estate from 1998 to 2006, the head of marketing and enterprise planning and the manager of the enterprise planning department of Wuhan Xuefu from 2006 to March 2008 and the head of the enterprise planning center of Wuhan OVU from 2008 to 2010. Ms. Yao received her college diploma in arts education from Hubei Institute of Fine Arts (湖北美術學院) in July 1993 and graduated from Wuhan Textile University (武漢紡織大學) (formerly known as Wuhan University of Science and Engineering (武漢科技學院)) with a bachelor's degree of fashion design (a correspondence course) in June 2004 and is qualified as a senior economist. Ms. Yao was honored as the 16th Model Worker of Wuhan City (武漢市第十六屆勞動模範稱號) in April 2015, the Honorary Ambassador for Investment in Hongshan District, Wuhan City (武漢市洪山區招商大使稱號) in February 2017 and the Outstanding Young Entrepreneurial Entrepreneur of 2016 (2016年優秀青年民營企業家) and the Party building advanced figure supporting "two new" organization of Economic Development zone in Hongshan, Wuhan City (武漢洪山經濟開發區支援兩新組織黨建先進人物稱號) in June 2017, respectively.

Ms. Huang Min (黃敏), aged 44, is the chief financial officer, assistant president and the general manager of the finance center of the Group, responsible for the overall financial management and serves as the chairman of Growing Business Innovation and Guarantee Co., Ltd. (成長企業創新擔保有限公司). Ms. Huang joined the Group in 2002 and served as the manager in the finance department. Before joining the Group, Ms. Huang served as the accountant and chief accountant of Wuhan East Lake High Technology. Ms. Huang received her college diploma in auditing from Hubei College of Finance and Economics (湖北財經高等專科學校) in June 1996 and graduated from Zhongnan University of Economics and Law (中南財經政法大學) in the bachelor's program of accounting (a self-learning course) in June 2001. She received her master's degree in business administration from Wuhan University (武漢大學) in June 2006. Ms. Huang is a member of Hubei Institute of Certified Public Accountants and was qualified as a senior accountant in December 2006. Ms. Huang was awarded the first prize of Wuhan Professional Skills Competition* (武漢市技能選拔賽一等獎) and Medal of May Day Honorable Workers in Wuhan* (武漢五一勞動獎章) and the third prize of The Second "Jindie Cup" National Accounting Knowledge Competition* ("金蝶杯"第二屆全國會計知識大賽三等獎).

Ms. Li Jingsong (李勁松), aged 48, is the assistant president of the Group. Ms. Li joined the Group in 1996 and serves as the vice general manager of Hengqin China Electronics Youpu Cloud Data Company Limited, responsible for expanding the operation of innovative space in the southern region. Ms. Li was the manager of the development department of Wuhan United Real Estate from 1996 to 2008, the deputy head of the development center of Wuhan OVU from 2008 to 2011 and the general manager of China Electronics Wenzhou Industrial Park Development Company Limited from 2016 to 2017. Ms. Li received her college diploma in computer science from Hubei University (湖北大學) in July 1990 and is qualified as a senior operation manager.

Mr. Huang Yongping (黃永平), aged 46, is the assistant president of the Group and the general manager of Shenyang OVU. Mr. Huang joined the Group in 2000 and has held various positions within the Group, including the project manager of Lido Mason and Lido 2046, the manager of the residence department and the vice manager of the sales department and chairman of the labor committee of Wuhan United Real Estate and the head of sales and marketing of Wuhan Xuefu. Mr. Huang received his college diploma in administration from Hubei University (湖北大學) in July 1991 and his master's degree in administration from Central China Normal University (華中師範大學) in January 2000. He was awarded as one of Ten Outstanding Young Persons of Wuchang district, Wuhan city, Hubei Province* (湖北省武漢市武昌區十大優秀青年) in 2000.

Ms. Yong Hui (雍暉), aged 50, is the assistant president of the Group and the general manager of Hefei OVU Development. Ms. Yong joined the Group in 1996 and is responsible for the operation of Hefei OVU Development. Ms. Yong worked at comprehensive technique department of Wuhan United Real Estate from November 1996 to December 2000 and Wuhan Lido Technology from January 2001 to October 2010. She served as the general manager of Wuhan Lido Technology from October 2010 to January 2015, and has been the general manager of Wuhan Lido Curtain Wall Manufacture Company Limited* (武漢麗島幕牆製造有限公司) since January 2013. Before joining the Group, Ms. Yong worked at Wuhan Number Two Light Industry Scientific Research and Design Institute* (武漢市二輕工業科學研究設計院). Ms. Yong received her college diploma in industrial and civil architecture from Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan University of Industry (武漢工業大學)) in December 1989 and is qualified as an engineer. Ms. Yong was awarded as one of the Outstanding Enterprise Managers for Architecture and Decoration in Wuhan Area* (武漢地區建築裝飾優秀企業經理) and "Star of Top 100 China Architecture Entrepreneurs" (中國建築"百強之星"優秀企業家). She was elected as the representative of the 12th Women Representative Conferences of Hefei City in October 2017.

Mr. Peng Tao (彭濤), aged 50, is the assistant president of the Group. He is responsible for the work of Shanghai projects and the industrial collaborative managerial work of Excellence Ningbo Optics Valley Real Estate Co., Ltd.. Mr. Peng joined the Group in 2000. He served as the chief engineer and the manager in the engineering department of Wuhan OVU from 2000 to 2008. Before joining the Group, Mr. Peng served as the chief of the design department of Wuhan Commercial Construction Design Institute (武漢市商業建築設計院). Mr. Peng graduated from Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan University of Industry (武漢工業大學)) in the bachelor's program of industrial and civil construction engineering in June 1993 and is qualified as a senior engineer.

Mr. Yu Xuewen (余學文), aged 49, is the assistant president of the Group and is responsible for the work of Xianyang China Electronics Western Zhigu Development Company Limited* (咸陽中電西部智谷發展有限公司) and Xianyang Branch of Wuhan OVU. Mr. Yu was the technology manager of Wuhan OVU from September 2010 to February 2012, the executive manager of the project department of Biolake from February 2012 to February 2013 and the executive general manager of projects of the Group from February 2013 to June 2014. Before joining the Group, Mr. Yu served as the deputy director of production division of Wuhan Mayinglong Pharmaceutical Co., Ltd.* (武漢馬應龍藥業股份有限公司), and the head of the Engineering Department of Wuhan Hongtaokai Pharmaceutical Co., Ltd.*(武漢紅桃開藥業股份有限公司). Mr. Yu obtained a bachelor's degree in mechanical manufacturing technology and equipment from Hubei Technology Institute (湖北工學院) in 1992.

Mr. Yin Bitao (尹碧濤), aged 38, is the assistant president of the Group, the general manager of Planning and Development Center of CEOVU and the general manger of China Electronics Optics Valley Architecture Design Institute* (中電光谷建築設計院). Mr. Yin was the department manager and the head of the Development Center of Wuhan OVU from May 2010 to August 2013. From September 2013 to February 2017, he served as the director of engineering and the director of operations of Hefei OVU; he has served as general manager of Planning and Development Center of Wuhan OVU, general manager of China Electronics Optics Valley Architecture Design Institute, and vice president of China Electronics Optics Valley Industry Research Institute since February 2017. Before joining the Group, Mr. Yin served as project manager of Wuhan Property Development Group Co., Ltd. from August 2006 to April 2010. Mr. Yin obtained his undergraduate diploma and bachelor's degree in engineering management from Huazhong University of Science and Technology in July 2004. In December 2006, he obtained a master's degree in technical economics and management from Huazhong University of Science and Technology.

Mr. Li Minghui (李明輝), aged 33, is the assistant president of the Group, general manager of the Group's the consultation and management business department, the general manager of Changsha China Electronics Optics Valley Industrial Park Development Co., Ltd., the general manager of Chongqing China Electronics Optics Valley Industry Development Co., Ltd. (重慶中電光谷科技產業發展有限公司) and concurrently the director of Chengdu Xin Gu Industrial Park Development Company Limited and the Vice President of CEC Optics Valley Industrial Ecological Research Institute. Mr. Li joined the Group in 2012 and led the consultation and management business department to work in the development and operation of the themed business parks for a long time. He has extensive experience and resources in the fields of urban economic industry research, regional city-industry development planning, park development and operation. He has provided key regional strategic development research in 12 cities, such as Hefei Binhu New District and Chongqing Science and Technology Innovation City, and served as Secretary General and Legal Person of Chongqing Science City Innovation Joint Association. In the meantime, he has participated in the construction and operation management of several large-scale landmark projects, such as Wuhan Future Science Town and Changsha CEC Software Park. Mr. Li obtained his bachelor's degree in engineering from Huazhong University of Science and Technology in June 2008.

Ms. Zhang Xuelian (張雪蓮), aged 43, is the secretary to the Board, chief of the legal and compliance department of the Group, and also one of the joint company secretaries. Ms. Zhang joined the Group in 2008 and is responsible for the secretariat of the Board and the legal and compliance department of the Group, as well as the work of Hong Kong office. She held various positions within the Group, including the supervisor of Wuhan Financial Harbour Development, the head of the administration center, secretary to the board of directors and the chief of the legal and compliance department of the Group. Before joining the Group, Ms. Zhang served as the secretary, representative of securities matters, general manager of the business solicitation department, chief of the audit and legal compliance department, deputy general economist and supervisor of Wuhan East Lake High Technology. Ms. Zhang received her bachelor's degree in economics law from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan College of Politics and Law (中南政法學院)) in July 1998. She is qualified as a senior operation specialist, a senior human resources management specialist, and a senior economist. Ms. Zhang attended training programs for company secretary to board, senior management and independent non-executive director of listed companies and received the relevant qualifications by the Shanghai Stock Exchange in June 2001, May 2007 and April 2008, respectively.

JOINT COMPANY SECRETARIES

Ms. Zhang Xuelian (張雪蓮), aged 43, is the secretary to the Board and chief of the legal and compliance department of the Group. She is also one of the joint company secretaries of the Company. See the subsection headed "Senior Management" in this section for details of her biography.

Ms. Leung Ching Ching (梁晶晶), aged 38, is one of the joint company secretaries of the Company. She is a senior manager of Corporate Services of Tricor Services Limited. Ms. Leung is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Leung graduated from The Chinese University of Hong Kong and obtained the degree of bachelor of social science in December 2003. Ms. Leung also received a master of arts in professional accounting and information system from City University of Hong Kong in November 2006.

Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 15 July 2013 as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on 28 March 2014.

PRINCIPAL ACTIVITIES

The Group is committed to construct the leading platform for sharing industrial resources in China, providing appropriate and overall solutions covering technology industrial park investment, development, business solicitation and operation, as well as providing ideal office, research, production sites and services to various kind of innovative enterprises, using entire life cycle of park zone intelligence management system as a foundation. It mainly includes:

Industrial park space services: including sale and leasing of industrial park space;

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;

Industrial investment: any equity investment business relevant to industrial thematic park.

As of 31 December 2018, the Group developed or operated various 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.

BUSINESS REVIEW

Details of the business review of the Company are set out in pages 9 to 28 of this annual report and form part of the Directors' report.

PRINCIPAL RISKS

Details of the principal risks and uncertainties faced by the Company are set out in pages 38 to 39 of this annual report and form part of this Director's Report.

FUTURE DEVELOPMENT

Details of the Company's future business development are set out in pages 29 to 30 of this annual report and form part of this Director's Report.

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss in page 108 of this annual report.

According to the calculation based on the 7,574,352,000 issued shares as of the Latest Practicable Date, the Board proposed to declare a final dividend of HKD2.50 cents (equivalent to approximately RMB2.13 cents) per Share, approximately HKD189.4 million in aggregate (equivalent to approximately RMB161.3 million) for the year ended 31 December 2018, which will be payable to Shareholders of the Company whose names appear on the register of members of the Company on 21 June 2019 (Friday), subject to Shareholders' approval at the forthcoming annual general meeting of the Company. The final dividend is expected to be paid on or before 5 July 2019 (Friday).

DIVIDEND POLICY

The Company has adopted a dividend policy on 13 December 2018. The Company shall maintain sufficient cash reserves to meet its funding needs, future growth and the value of its equity when it proposes or declares dividends. The Company has no pre-determined dividend payout ratio. The Board has the right to declare and distribute dividends to Shareholders of the Company in accordance with the Articles of Association, all applicable regulations and various factors.

The Board should also consider the following factors related to the Group when considering the declaration of dividends, including financial results, cash flow positions, business positions and strategies, future operation and revenue, capital requirements and plans for expenses, Shareholders' interests, any restrictions on the declaration of dividends and any other factors that the Board may consider relevant. Depending on the financial positions of the Group and the aforementioned conditions and factors, dividends may be proposed and/or declared by the Board for a financial year or period, and any final dividend will be subject to Shareholders' approval. The Board will review the dividend policy when necessary.

FINANCIAL SUMMARY AND FINANCIAL KEY PERFORMANCE INDICATORS

A summary of the Group's results, assets and liabilities for the last five financial years is set out in page 4 of this annual report. That summary does not form part of the audited consolidated financial statements.

Details of the financial key performance indicators of the Company are set out in pages 31 to 37 of this annual report and form part of the Directors' report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's property, plant and equipment during the year ended 31 December 2018 are set out in note 15 to the consolidated financial statements on pages 179 to 181 of this annual report.

SHARE CAPITAL AND SHARE AWARD SCHEME

Details of changes in the Company's share capital during the year ended 31 December 2018 are set out in note 31 to the consolidated financial statements on page 203 of this annual report and form part of the Directors' report.

On 22 December 2016, the Company adopted a share award scheme, pursuant to which the Company may grant existing Shares to selected participants (namely directors, senior officers and/or employees, whether full-time or part-time, of any member of the Group). The reason for adopting the share award scheme is to recognise the contributions by certain directors, senior officers and/or employees and to incentivise them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. No new Shares will be granted under the share award scheme. Details of the share award scheme are set out in the Company's announcement dated 22 December 2016.

During 2016, the trustee appointed by the Company for the purpose of the share award scheme purchased a total of 152,998,000 Shares at a total consideration of HK$122,928,380 (equivalent to RMB110,105,000) according to the share award scheme. As at 31 December 2018, none of the 152,998,000 Shares has been granted.

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

During the Reporting Period, the Company repurchased a total of 113,704,000 shares on the Stock Exchange at an aggregate consideration of HK$64,777,420. On 10 January 2018, 29 May 2018 and 19 July 2018, the Company cancelled 13,244,000 Shares, 57,708,000 Shares and 24,160,000 Shares, respectively, being Shares repurchased during the period between 19 December 2017 and 21 June 2018. On 24 January 2019, the Company cancelled 43,860,000 Shares repurchased, being Shares repurchased during the period between 5 December 2018 and 11 January 2019.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate consideration
		Highest	Lowest	
		(HK$)	(HK$)	(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
December 2018	31,836,000	0.385	0.305	11,175,980
	113,704,000			64,777,420

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2018.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 204 and 205 of this annual report.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution, calculated in accordance with Cayman Islands law, amounted to approximately RMB2,014.2 million as of 31 December 2018.

BANK LOANS AND OTHER BORROWINGS

Particulars of movements of the bank loans and other borrowings of the Company and the Group as of 31 December 2018 are set out in notes 27 and 28 to the consolidated financial statements on pages 194 to 197 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of turnover attributable to the Group's five largest customers from the sales of properties in their projects was approximately 12.2%, and the percentage of turnover attributable to its largest customer from the sales of properties in its projects was approximately 4.8%. The Group's five largest suppliers accounted for less than 23.2% of the Group's total purchases for the year. None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest customers and suppliers.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance procedures in place to ensure its compliance with relevant laws, rules and regulations. During the Reporting Period, the Group has complied with relevant laws and regulations which have material influence on its operation.

MAJOR RELATIONSHIP BETWEEN THE GROUP AND ITS EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER PARTIES

The Group recognises the importance of employees, customers, suppliers and other parties to its sustainable development.

The Group strives to maintain a close relationship with its employees and to provide quality services to its customers, while enhancing co-operation with suppliers and other parties. Details of the Group's employees are set out in pages 38, 62, 166 to 167 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance will be published separately.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. According to Article 191 of the Articles of Association, each Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty. The Company has taken out the appropriate directors' and senior officers' liability insurance policy for the directors and senior officers of the Group as a means of security.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors for the year ended 31 December 2018 and up to the date of this annual report were:

Executive Directors

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

Non-Executive Directors

Mr. Lu Jun *(resigned on 22 March 2018)*
Mr. Zhang Jie
Ms. Wang Qiuju
Mr. Xiang Qunxiong
Ms. Sun Ying *(appointed on 22 March 2018)*

Independent Non-Executive Directors

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

The biographical details of the Directors and senior management are set out under the section headed "Directors and Senior Management" of this annual report.

Ms. Sun Ying entered into a letter of appointment with the Company for a term of three years to serve as a non-executive Director of the Company, commencing from 22 March 2018.

None of the Directors of the Company entered into any service contract with the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2018.

NON-COMPETITION UNDERTAKINGS

Each of the Controlling Shareholders has confirmed with the Company that each of them has complied with the non-competition undertakings that were provided to the Company on 14 March 2014. Details of the deed of non-competition are disclosed in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The independent non-executive Directors have reviewed the status of compliance and confirmed that all of these non-competition undertakings have been complied with by the Controlling Shareholders.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and senior management and the five highest paid individuals are set out in note 41 to the consolidated financial statements on pages 217 to 219 of this annual report.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration payable to the members of senior management during the Reporting Period fell within the following bands.

Remuneration bands	**Number of individuals**
RMB3.0 million to 4.0 million	1
RMB2.0 million to 3.0 million	4
RMB1.0 million to 2.0 million	6
Below RMB1.0 million	4

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

As at 31 December 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 any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

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)	23.35%
Mr. Hu Bin	Beneficial owner	70,320,000	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 31 December 2018, i.e. 7,618,212,000. A total number of 113,704,000 Shares were repurchased by the Company during the Reporting Period. On 10 January 2018, 29 May 2018 and 19 July 2018, the Company cancelled 13,244,000 Shares, 57,708,000 Shares and 24,160,000 Shares, respectively, being Shares repurchased during the period between 19 December 2017 and 21 June 2018. On 24 January 2019, the Company cancelled 43,860,000 Shares repurchased, being Shares repurchased during the period between 5 December 2018 and 11 January 2019.

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

Save as disclosed above, as at 31 December 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 associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate throughout the period from the Listing Date to 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had any interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the Reporting Period.

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

As at 31 December 2018, the following persons (not being a Director or chief executive of the Company) had interests or short positions 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)	33.47%
CE Huada Technology	Interest in controlled corporation	2,550,000,000 (4)	33.47%
AAA Finance	Beneficial owner	1,659,052,000 (5)	21.78%
Technology Investment HK	Beneficial owner	479,910,000	6.30%
Hubei Science & Technology Investment	Interest in controlled corporation	479,910,000 (6)	6.30%
China International Capital Corporation Hong Kong Securities Limited	Person having a security interest in shares	382,518,000	5.02%
China International Capital Corporation (Hong Kong) Limited	Interest in controlled corporation	382,518,000 (7)	5.02%
China International Capital Corporation Limited	Interest in controlled corporation	382,518,000 (8)	5.02%

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 31 December 2018, i.e., 7,618,212,000. A total number of 113,704,000 Shares were repurchased by the Company during the Reporting Period. During the Shares repurchased period between 19 December 2017 and 31 December 2018, the Company cancelled 13,244,000 Shares, 57,708,000 Shares and 24,160,000 Shares, respectively, being Shares repurchased during the period between 19 December 2017 and 21 June 2018, on 10 January 2018, 29 May 2018 and 19 July 2018. On 24 January 2019, the Company has cancelled 43,860,000 Shares repurchased, being Shares repurchased during the period between 5 December 2018 and 11 January 2019.

(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 was 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 Positions in Shares, Underlying Shares and Debentures" in this report.

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

(7) China International Capital Corporation Hong Kong Securities Limited owned security interest in such shares. China International Capital Corporation (Hong Kong) Limited holds 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 the security interest of Shares held by China International Capital Corporation Hong Kong Securities Limited.

(8) China International Capital Corporation Limited holds 100% equity interest in China International Capital Corporation (Hong Kong) Limited, which in turn holds 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 31 December 2018, the Company has 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.

MATERIAL ACQUISITIONS

Material acquisitions of the Group are set out in page 37 of this annual report.

MATERIAL DISPOSALS

Material disposals of the Group are set out in page 37 of this annual report.

CONNECTED TRANSACTIONS

The details of the connected transactions conducted by the Group for the year ended 31 December 2018 are as follows:

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(1) On 27 September 2018, the Group (through Wuhan OVU and OVU Technology, being subsidiaries of the Company) entered into a capital contribution agreement with China Electronics International Information Service and Shenzhen CEC i-Valley Operation Co., Ltd.* (深圳中電智谷運營有限公司) (the "Shenzhen i-Valley"), pursuant to which the Group agreed to inject a total of RMB30,307,200 in cash to the capital of Shenzhen i-Valley.

China Electronics International Information Service and Shenzhen i-Valley are indirect wholly-owned subsidiaries of CEC which is the controlling shareholder of the Company. Accordingly, China Electronics International Information Service and Shenzhen i-Valley are connected persons of the Company under the Listing Rules. Therefore, the transaction contemplated under the capital contribution agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the capital contribution agreement is more than 0.1% but are all less than 5%, the transaction contemplated under the capital contribution agreement are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under the Listing Rules.

(2) On 8 November 2018, Shenzhen i-Valley (a subsidiary in which the Company indirectly holds 60% equity interest) entered into a lease agreement with China Electronics International Information Service. The annual caps under the lease agreement are: (i) RMB15,600,000 for the period from 11 November 2018 to 10 November 2019; (ii) RMB17,500,000 for the period from 11 November 2019 to 10 November 2020; and (iii) RMB12,700,000 for the period from 11 November 2020 to 25 July 2021, respectively.

China Electronics International Information Service is an indirect wholly-owned subsidiary of the CEC Group which is the controlling shareholder of the Company. Accordingly, China Electronics International Information Service is a connected person of the Company under the Listing Rules. Therefore, the transaction contemplated under the lease agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the annual caps for the three years ending 31 December 2020 for the lease agreements exceed 0.1% but are less than 5%, the transaction contemplated under the lease agreements are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(3) On 27 September 2017, the Company entered into a financial services agreement with China Electronics Financial Co., Ltd.* (中國電子財務有限責任公司) ("CEC Finance"). Pursuant to the financial services agreement, CEC Finance has agreed to provide, inter alia, certain deposit services to the Group in accordance with the terms and conditions set out in the financial services agreement. CEC Finance is a non-banking financial institution established with the approval of the China Banking Regulatory Commission. The annual caps under the financial services agreement are: (i) RMB120,000,000 for the period from 27 September 2017 to 26 September 2018; (ii) RMB120,000,000 for the period from 27 September 2018 to 26 September 2019; and (iii) RMB120,000,000 for the period from 27 September 2019 to 26 September 2020, respectively.

CEC Finance is a subsidiary of CEC, which is the controlling shareholder of the Company. Therefore, CEC Finance is a connected person of the Company under the Listing Rules. Accordingly, the financial services agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the maximum daily balance of the funds settlement balance (deposit amount) under the financial services agreement exceeds 0.1% but is less than 5%, the deposit services to be provided by CEC Finance to the Group are subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirements under the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Company, (ii) on normal commercial terms and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the aforesaid continuing connected transactions and connected transactions.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group conducted certain transactions with parties deemed as "related parties" under the applicable accounting standard. The details of these transactions are set out in note 38 to the consolidated financial statements on pages 212 to 214 of this annual report. The summarised transactions are "continuing connected transaction" and "connected transaction" as defined under the Listing Rules.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had in total 5,481 employees in Hong Kong and the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB487.9 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 salaries, allowances, 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 remuneration structure 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.

POST BALANCE SHEET EVENTS

Details of major events after 31 December 2018 are set out in the section headed "Management Discussion and Analysis – Event after Balance Sheet Date" and note 39 to the consolidated financial statements on page 214 of this annual report.

CORPORATE GOVERNANCE

During the Reporting Period, save for Mr. Huang Liping being both the chairman of the Board and president of the Company, the Company has been in compliance with all code provisions set forth in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 65 to 83 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers each of the independent non-executive Directors, namely Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and to the knowledge of the Directors as of the latest practicable date prior to the issue of this annual report, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules since the Listing Date.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 10 June 2019 (Monday) to 13 June 2019 (Thursday) (both days inclusive), during such period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 6 June 2019 (Thursday).

For the purpose of determining the Shareholders' entitlement to the final dividend, the register of members of the Company will also be closed from 20 June 2019 (Thursday) to 21 June 2019 (Friday) (both days inclusive), during which period no transfer of Shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted at the forthcoming annual general meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 June 2019 (Wednesday).

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2018.

AUDITORS

On 16 June 2016, KPMG resigned as the auditors of the Company. On the same day, our Shareholders resolved to appoint PricewaterhouseCoopers as the auditors of the Company. Details of the change of auditors are set out in the Company's announcement dated 21 April 2016.

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers. A resolution for the reappointment of PricewaterhouseCoopers as the Company's auditors is to be proposed at the forthcoming annual general meeting of the Company.

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

Hong Kong, 21 March 2019

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

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. During the Reporting Period, the Company has complied with all code provisions of the CG Code, with the exception that the roles of Chairman of the Board and President are both vested in Mr. Huang Liping, details of which are disclosed in the section headed "Chairman and Chief Executive" below.

SECURITIES TRANSACTIONS

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

The Company, after making specific inquiries to all Directors and relevant employees, confirmed that all of them have complied with the required standards in the Model Code during the Reporting Period.

THE BOARD OF DIRECTORS

Board Responsibilities

The Board is at the core of the Company's corporate governance structure, and is responsible for the overall strategic leadership and planning of the Company. All important matters of the Company are reserved for the Board's decision and the Board retains the authority of deciding such matters, including formulating and monitoring the Company's long-term strategies and policy matters, reviewing financial results, approving annual budgets, monitoring and reviewing internal control and risk management systems, assuming responsibility for the corporate governance system of the Company, and upholding the core values of the Company. All Directors (including the non-executive Directors and independent non-executive Directors) possess extensive and valuable business experience, knowledge and high level of professionalism, which facilitate the effective and efficient operation of the Board.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

Delegation by the Board

The Board relies on management for the day-to-day operation of the Company's business, and has delegated the authority and responsibility for the daily management, administration and operation of the Group as well as the implementation of the Board's policies and strategies to the senior management of the Group. The Board and senior management fully appreciate their respective responsibilities, and they complement each other in formulating and maintaining higher standards of corporate governance practices of the Company.

BOARD COMPOSITION

The Board is structured with a view to ensuring that it is of high caliber and has a balance of skills and experience which meets the needs of the Company's business. The Board currently consists of nine members, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors as set out below.

Executive Directors
Mr. Huang Liping *(Chairman and President) (equivalent to the chairman and chief executive as stated in the CG Code)*
Mr. Hu Bin *(Executive President)*

Non-Executive Directors
Mr. Lu Jun *(resigned on 22 March 2018)*
Mr. Zhang Jie
Ms. Wang Qiuju
Mr. Xiang Qunxiong
Ms. Sun Ying *(appointed on 22 March 2018)*

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

Further description of the biography of the Board members are set out under the section headed "Directors and Senior Management" in this annual report. A list of the Directors is available on the designated website of the Stock Exchange and the website of the Company.

There is no financial, business, family or other material or relevant relationships among the Directors.

Non-executive Directors

Mr. Zhang Jie has entered into a letter of appointment with the Company for an initial term of three years commencing from 12 June 2017. Each of Ms. Wang Qiuju and Mr. Xiang Qunxiong has entered into a letter of appointment with the Company for an initial term of three years commencing from 29 December 2016. Ms. Sun Ying has entered into a letter of appointment with the Company for an initial term of three years commencing from 22 March 2018.

Independent Non-executive Directors

Independent non-executive Directors play an important role in the Board by bringing independent judgment and advice and through scrutiny of the Company's course of performance. During the Reporting Period, the Company has been in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules which requires that independent non-executive Directors appointed must represent at least one-third of the Board.

Each of Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin has entered into a letter of appointment with the Company to serve as independent non-executive Directors for an initial term of three years commencing from 11 March 2017.

Each of the independent non-executive Directors has confirmed his or her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent according to the criteria set out in Rule 3.13 of the Listing Rules. The Board will review and evaluate whether there are circumstances that are likely to affect the independence of the independent non-executive Directors on an ongoing basis.

CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to code provision A.2.1 of the CG Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and president 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 Company and enables more effective and efficient overall strategic planning for the Company. 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 Company, the Board will continue to review and consider the separation of the duties of the chairman and president if and when appropriate.

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

APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The Nomination Committee is responsible for reviewing the Board's structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning of Directors. During the Reporting period, Mr. Zhang Jie and Ms. Sun Ying were re-elected as non-executive Directors of the Company on 14 June 2018.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been provided with relevant training to ensure that they fully understand their responsibilities, duties and obligations as directors of a listed company. All Directors are encouraged to attend relevant training courses at the Company's expense.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of his/her responsibilities and obligations under the Listing Rules.

The Company provided training through external expert lectures in order to develop and update the Directors' knowledge and skills. The Company also provided all Directors with the latest information and relevant materials regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with good corporate governance practices and enhance their awareness in this regard.

For the year ended 31 December 2018, all of the Directors have received relevant trainings on corporate governance and the relevant training records are as follows:

Name of Director	Corporate Governance/ Updates on Relevant Laws, Rules and Regulations: Studied Materials	Corporate Governance/ Updates on Relevant Laws, Rules and Regulations: Attended Seminars/ Briefings	Accounting/Finance/ Management or Other Professional Skills: Studied Materials	Accounting/Finance/ Management or Other Professional Skills: Attended Seminars/ Briefings
Executive Directors:				
Mr. Huang Liping	✓	✓	✓	
Mr. Hu Bin	✓	✓	✓	
Non-executive Directors:				
Mr. Lu Jun *(resigned on 22 March 2018)*				
Ms. Wang Qiuju	✓		✓	
Mr. Xiang Qunxiong	✓		✓	
Mr. Zhang Jie	✓		✓	
Ms. Sun Ying *(appointed on 22 March 2018)*	✓		✓	
Independent non-executive Directors:				
Mr. Qi Min	✓		✓	
Mr. Leung Man Kit	✓		✓	✓
Ms. Zhang Shuqin	✓		✓	

The Directors will continue to be updated by the Company on any changes or developments affecting their obligations as directors of a listed company.

BOARD MEETINGS

Notice of regular Board meetings is given to each Director at least 14 days before the meeting. The agenda and the relevant board papers are circulated to each Director at least 3 days before regular Board meetings to enable them to make informed decisions at the meeting.

Code provision A.1.1 of the CG Code requires that at least four regular Board meetings be held each year at approximately quarterly intervals, with active participation of a majority of directors entitled to attend the meetings, either in person or through other electronic means of communication. The Board held four regular Board meetings at approximately quarterly intervals during the Reporting Period.

INSURANCE FOR DIRECTORS AND SENIOR MANAGEMENT

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and senior management.

BOARD COMMITTEES

The Board has established four Board committees to oversee particular aspects of the Company's affairs, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Financial Control Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. The independent non-executive Directors, as members of the various Board committees, bring their range of experiences and expertise and provide objective perspectives to the Board committees. The Board has provided the Board committees with sufficient resources to discharge their duties, and the Board committees may seek independent professional advice as and when required at the Company's expense.

Audit Committee

The Audit Committee comprises three members. It is currently chaired by Mr. Leung Man Kit (independent non-executive Director), and its other members are Mr. Qi Min (independent non-executive Director) and Ms. Wang Qiuju (non-executive Director). There is an overall majority of independent non-executive Directors.

The primary functions of the Audit Committee include the following:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of engagement of external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussing with the external auditors the nature and scope of the audit and the relevant reporting obligations before the audit commences;
- developing and implementing policy on engaging external auditors to provide non-audit services;
- monitoring the integrity of the Company's financial statements and annual report and accounts and half-yearly reports, and reviewing significant financial reporting opinions contained in such statements and reports;
- reviewing the Company's financial controls, internal control and risk management systems and discussing the internal control system with management to ensure that management has performed its duty to establish an effective internal control system;

- considering major investigation findings on internal control matters on the Audit Committee's own initiative or as delegated by the Board, as well as management's response to these findings; and
- reviewing the Group's financial and accounting policies and practices.

The terms of reference of the Audit Committee are available on the website of the Company and the designated website of the Stock Exchange. The Audit Committee held 4 meetings during the year ended 31 December 2018 to review the annual results and report for the year ended 31 December 2017 as well as the interim results and report for the six months ended 30 June 2018, and review the effectiveness of the financial control, internal control, risk management system and internal audit function of the Company, and discuss material risks under concern in the audit work and appointment of external auditors.

During the Reporting Period, the Audit Committee also held 3 meetings with external auditors.

Remuneration Committee

The Remuneration Committee comprises four members. It is currently chaired by Mr. Qi Min (independent non-executive Director), and its other members are Mr. Hu Bin (executive Director), Ms. Zhang Shuqin (independent non-executive Director) and Mr. Leung Man Kit (independent non-executive Director). It has an overall majority of independent non-executive Directors.

The primary functions of the Remuneration Committee include the following:

- assessing, reviewing and making recommendations to the Board in respect of the remuneration packages and overall benefits for the Directors and senior management of the Company;
- making recommendations to the Board on the remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for formulating remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives set by the Board;
- determining, with the delegated responsibility, the remuneration packages of individual executive directors and senior management, or making recommendations to the Board on the remuneration packages of individual executive Director and senior management;
- making recommendations to the Board on the remuneration of non-executive Directors; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The terms of reference of the Remuneration Committee are available on the website of the Company and the designated website of the Stock Exchange. The Remuneration Committee held 2 meetings during the Reporting Period to review the remuneration policies and structures of the Company, the remuneration packages for executive Directors and senior management as well as other relevant matters, assessing the performance of executive Directors, approving the terms of executive Directors' service contracts and make recommendations to the Board in such regard.

Details of the remuneration of the senior management by band are set out in note 41 in the Notes to the Audited Financial Statement for the year ended 31 December 2018.

Nomination Committee

The Nomination Committee comprises three members. It is currently chaired by Mr. Huang Liping (executive Director), and its other members are Mr. Qi Min (independent non-executive Director) and Ms. Zhang Shuqin (independent non-executive Director). It has an overall majority of independent non-executive Directors.

The primary functions of the Nomination Committee include the following:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of independent non-executive Directors;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors; and

- reviewing the board diversity policy regularly.

The terms of reference of the Nomination Committee are available on the website of the Company and the designated website of the Stock Exchange. The Nomination Committee held 1 meeting during the Reporting Period to review the structure, size and composition of the Board, and provide opinions on the nomination of relevant persons to be Directors to the Board, and review the independence of independent non-executive Directors.

Nomination Policy

The Company has adopted a nomination policy on 13 December 2018. The content of the nomination policy includes selection criteria, nomination procedures, confidentiality clauses, monitoring and reporting as well as policy review sections. The Nomination Committee should nominate suitable candidate(s) to the Board for it to consider and make recommendations to Shareholders in respect of the candidates for election as Director(s) at general meetings or appointment as Director(s) to fill casual vacancies. The Nomination Committee would take into account the following factors when evaluating the candidates:

- reputation;

- relevant accomplishment and experience in the fields of development and operation of industrial thematic parks and industrial investment;

- the available time and interests of relevant sectors;

- Board diversity in various aspects including but not limited to gender, age (aged 18 or above), cultural and educational background, ethnicity, professional expertise, skills, knowledge and length of service;

The above factors are for reference only. They are not intended to cover all factors and are not decisive. The Nomination Committee may decide to nominate any person that it considers appropriate.

The summary of the Directors' nomination procedures is as follows:

- The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also nominate candidates who have not been nominated by Board members through various channels such as professional headhunting companies, Shareholders, management recommendation or internal promotion.

- For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

- Until the issue of the Shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

- The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

- A Shareholder can serve a notice to the Company Secretary within the lodgement period of its intention to propose a resolution to elect a certain person as an nominated director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the Shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.

- Shareholders nominating candidates should take various factors into account such as Shareholders' shareholding ratio, history of the Company and the agreement related to bilateral or multilateral agreements, and there should be an employee representative candidate.

- A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary ("Company Secretary").

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Board Diversity Policy

The Company has adopted its board diversity policy on 6 March 2013, and amended it on 13 December 2018. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. In reviewing and assessing the composition of the Board and nominating Directors, it will consider various factors for the board diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and agree on other measurable objectives for achieving diversity of the Board and make relevant recommendations to the Board. Diversity factors and measurable objectives may be adopted and/or amended by the Board at any time necessary for the requirements of the business of the Company as well as the succession plan of the Board. The Nomination Committee will review the structure, size and composition of the Board annually and make recommendations when appropriate on any proposed changes to the Board to complement the Company's corporate strategy.

Financial Control Committee

The Financial Control Committee comprises three members, namely Mr. Huang Liping (executive Director), Mr. Wang Yuancheng (Vice President) and Ms. Huang Min (assistant president and the general manager of the finance center). The Financial Control Committee is chaired by Mr. Huang Liping. The establishment of the committee is one of the internal measures adopted for further reducing the Company's potential risk in relation to the minimum tax guarantee under the relevant contracts for the Hefei Financial Harbour project.

The primary duties of the Financial Control Committee are to assess the sufficiency of internal funds, obtain the standby banking facilities where necessary, further discuss the Company's potential risks and exposure level, evaluate sufficiency of the existing measures in place to minimize such risks, and formulate new business strategies and follow-up measures where appropriate.

The Financial Control Committee held 1 meeting during the Reporting Period to discuss the potential liabilities and risks in relation to the abovementioned minimum tax guarantee.

ATTENDANCE RECORD OF THE DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company as well as the annual general meeting of the Company held during the Reporting Period is as follows:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting[1]**
Executive Directors:					
Mr. Huang Liping	4/4	–	–	1/1(C)	1/1
Mr. Hu Bin	4/4	–	2/2(M)	–	1/1
Non-executive Directors:					
Mr. Lu Jun [3]	1/1	–	–	–	–
Mr. Zhang Jie	4/4	–	–	–	1/1
Ms. Wang Qiuju	4/4	4/4(M)	–		1/1
Mr. Xiang Qunxiong	4/4	–	–	–	1/1
Ms. Sun Ying [4]	3/4	–	–	–	–
Independent non-executive Directors:					
Mr. Qi Min	4/4	4/4(M)	2/2(C)	1/1(M)	1/1
Mr. Leung Man Kit	4/4	4/4(C)	2/2(M)	–	1/1
Ms. Zhang Shuqin	4/4	–	2/2(M)	1/1(M)	1/1

Notes:

(1) The annual general meeting of the Company was held on 14 June 2018.

(2) (C) – Chairman of the committee; (M) – Committee member

(3) Mr. Lu Jun resigned as non-executive Director on 22 March 2018.

(4) Ms. Sun Ying was appointed as non-executive Director on 22 March 2018.

During the Reporting Period, the chairman of the Board convened 1 meeting among non-executive Directors (including non-executive Directors and independent non-executive Directors) without the presence of executive Directors.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board. The primary governance functions include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring training and professional development of Directors and senior management;
- reviewing and monitoring the Company's compliance with the CG Code and other legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to Directors and employees of the Company; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of the Company is continuously endeavoring to improve risk management and internal control systems to manage risks in order to safeguard the Shareholders' investment and the asset appreciation of the Group.

The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving its objectives, and supervising the management in establishing and maintaining appropriate and effective risk management and internal control systems. The management is responsible for establishing and maintaining effective risk management and internal control systems, and reporting to the Board in respect of the effectiveness of relevant systems.

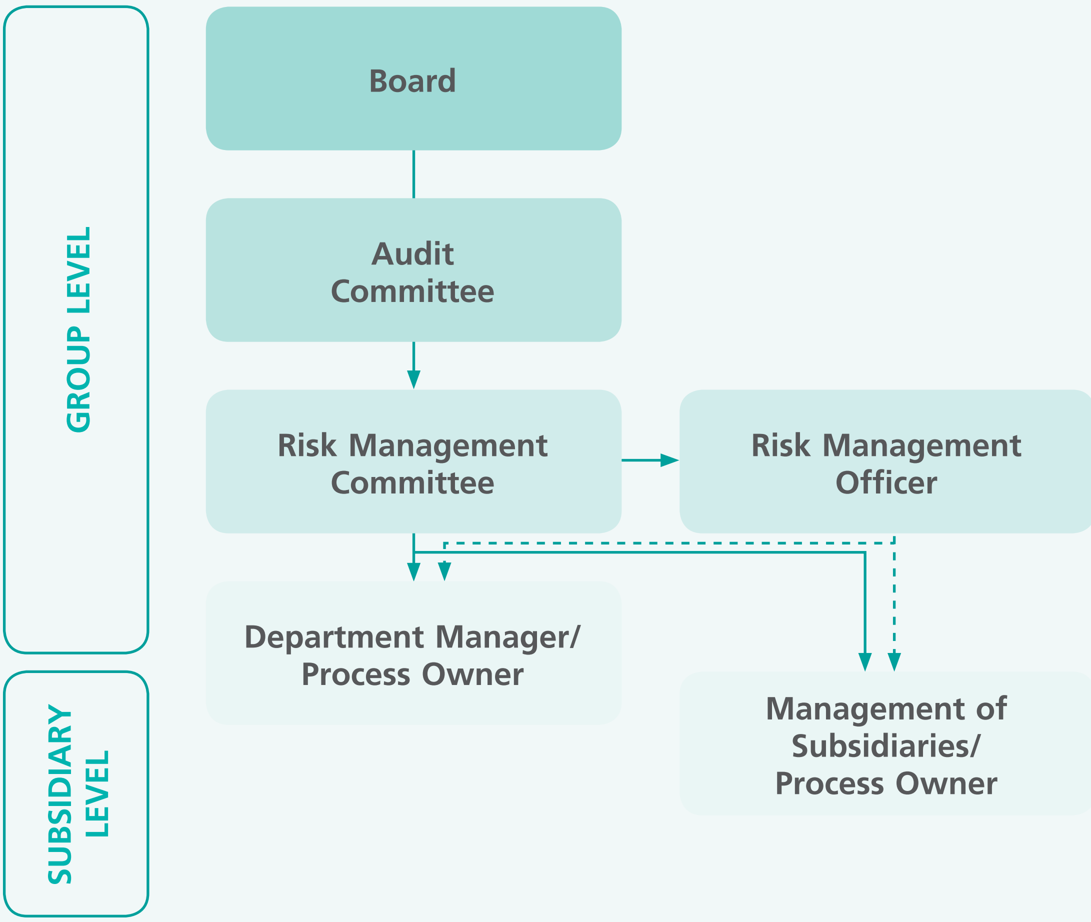
The related risk management system and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The risk management system of the Group consists of the following important elements: objectives and strategies of risk management, risk management system, risk management structure and duties of each level of management, risk management procedures, nurturing of risk management culture as well as the internal control procedures.

Risk Management Structure and Responsibilities of Each Level of Management

Risk Management Structure:



Duties of Each Level of Management:

Roles	Main Duties
Board	• determines the general objectives of risk management, risk appetite and risk tolerance • approves the risk management policy • approves risk management recommendations and reports • carries out risk management of material decisions and approves risk management reports of material decisions • strengthens nurturing the culture of corporate risk management
Audit Committee	• reviews the establishment of risk management structure and its roles & responsibilities • authorized by the Board to supervise the implementation of risk management and internal control systems • reviews the effectiveness of the Company's risk management and internal control systems regularly
Risk Management Committee	• promotes the establishment of risk management system, establishes risk management system and defines its roles & responsibilities • reviews and supervises the implementation of relevant risk management policies and procedures of the Company regularly • provides comments from risk management perspective regarding material decisions, reviews and submits risk management reports on material decisions and provides recommendations on risk responses • monitors nurturing the culture of overall risk management • regularly reports to the Audit Committee on risk management works
Risk Management Officer	• organizes and coordinates with various functional departments to carry out material risks identification and assessment works on business level, prepares management reports on material risks on business level and various risk management reports, and reports to the Risk Management Committee • organizes and coordinates with the Risk Management Committee and senior management to identify and assess risks on company level as well as formulates and submits relevant measures to manage material risks on company level • assists, reviews and supervises the risk management works and results carried out by risk management officers • provides relevant training and guidance on risk management
Department Manager/ Process owner/ Management of subsidiaries	• responsible for coordinating with the Risk Management Committee and the risk management officer to carry out specific risk management works • updates the list of risks and carries out risk management related works on a regular basis • assesses risks from the two dimensions: likelihood of occurrence and potential impact • prepares the relevant risk response for the business risks, implements the risk response, and be responsible to push forward specific risk management measures • monitors various risks and timely reports to the risk management officers on risk information

Risk Management Procedure

Three Steps for Risk Management Procedure:

Step 1: Risk Identification:

- Identify the matrix for measuring risks (to be defined in accordance with different level of the impact and the possibility of occurrence)

- Conduct interviews with senior management and persons-in-charge of business procedures to identify the current risk exposure on company level and business level. Currently, the major risks of the Group can be categorized into strategic risk, operational risk, financial risk and compliance risk.

Step 2: Risk Analysis and Countermeasure:

- Analyze risks and assess the level of risk based on two criteria, namely: the potential impact and the possibility of occurrence;

- Identify and assess the current risk responses and comment the current risk management measures;

- Analyze and determine if it is necessary to formulate additional risk management measures to manage risks at an acceptable level.

Step 3: Risk Report:

- Summarize the result of the risk management analysis, formulate a plan of action and report to the Risk Management Committee;

- Prepare a Risk Management Report, which should include a summary of the results of risk assessment, the highlights on significant risks, and the action plans, etc.;

- Submit the Risk Management Report to the Board for its approval.

INTERNAL CONTROL

The Group establishes the internal control system in referencing with the 3 lines of defense model.

Structure and Duties of the 3 Lines of Defense

- First Defense Line: the management formulates appropriate policies and procedures and internal control measures for daily business operation

- Second Defense Line: the risk management, compliance departments and other departments responsible for policy formulation monitor the first defense line on a daily basis, and conduct regular reviews on risk and compliance

- Third Defense Line: the internal audit department carries out reviews and audits with an independent view from the management on a continuous basis

Internal Audit

The Group established an Internal Audit Department and reviewed the effectiveness of its internal audit function through five key factors e.g. strategy, structure, staffing, process and technology, including reviewing the resources for internal audit function, the qualification and experience of the staff and the training courses that the staff attends and the adequacy of its related budgets.

The Internal Audit Department carries out continuous special internal audits in accordance with the annual audit plan approved by the Audit Committee every year. For the internal control deficiency identified, the Company will address it by communicating with management and ordering the remediation to be taken. Any material deficiency identified in controls or procedures will be directly reported to the Board for communication and discussion.

Anti-Fraud

Through setting up related policies, the Group established a channel for group staff and the external third parties to report any fraud or breach of ethical conduct, established a separate mechanism for monitoring and reporting to make sure all the investigations and processing results are in strict confidentiality, and enhanced the publicity and training for anti-fraud, integrity and ethical value. All the measures above are to form a good ambience against corruption, uphold integrity for the Group and reduce the risk of fraud.

Management of Inside Information

The Group formulated information disclosure policies such as "Information Disclosure System" and "Measures for the Administration on Inside Information Disclosure", to provide general guidelines for Directors and senior management of the Company in handling the inside information disclosure, in accordance with the Listing Rules and the SFO. The Directors and senior management of the Group have been provided the brief introduction and information relevant to information disclosure system.

THE EFFECTIVENESS OF THE RISK MANAGEMENT AND THE INTERNAL CONTROL SYSTEMS FOR YEAR 2018

The Board acknowledges that it is responsible for the risk management and internal control systems, and also responsible for conducting an overall review annually on the effectiveness of the risk management and internal control systems of the Group.

In 2018, the Group continued to improve the risk management and internal control systems through performing annual risk assessment, reviewing the internal audit functions, and carrying out special internal audits in order to further enhance the company's risk management standards and risk defense capabilities.

Through the review of the effectiveness of the risk management and the internal control systems in 2018, the Board is of the opinion that the risk management and internal control systems are effective for the year ended 31 December 2018. The Board and the Audit Committee also reviewed the resources for accounting, internal audit and financial reporting functions, the qualification and experience of the staff and the training courses that the staff takes and its related budgets, and they are of the opinion that the above functions are adequate.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the Reporting Period, presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects, and ensuring that the financial reports are prepared in accordance with applicable statutory requirements and accounting standards. To the best knowledge, information and belief of the Directors, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The management of the Company has provided the Board with such explanation and information necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Auditor's Statement

The statement of the Company's independent external auditor, PricewaterhouseCoopers, on its reporting responsibilities in respect of the consolidated financial statements of the Group during the Reporting Period is set out on pages 101 and 107 of this annual report.

Auditor's Remuneration

For the year ended 31 December 2018, the remuneration payable to PricewaterhouseCoopers by the Company is set out below:

Services provided by the auditor	**Remuneration** (RMB'000)
Audit services	2,000
Non-audit services	960
– Interim review	800
– Others	160
Total	2,960

JOINT COMPANY SECRETARIES

Ms. Zhang Xuelian, one of the Company's joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Leung Ching Ching, senior manager of Corporate Services of Tricor Services Limited, as a joint company secretary to assist Ms. Zhang Xuelian in discharging her duties as company secretary of the Company. Ms. Leung Ching Ching together with her primary contact person at the Company, Ms. Zhang Xuelian, act as joint company secretaries of the Company.

The Company will provide funds for Ms. Zhang Xuelian for her to take not less than 15 hours of appropriate continuous professional training in each financial year as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Pursuant to Article 64 of the Articles of Association, one or more Shareholders holding not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings may request the Board to convene an extraordinary general meeting. Such requisition shall be made in writing to the Board or the company secretary and the business to be dealt with shall be specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene extraordinary general meeting shall be reimbursed to the requisitionist(s) by the Company.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, no amendment was made to the constitutional documents of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognizes that it is accountable to its stakeholders, and values the importance of communications with Shareholders. The Company is dedicated to maintaining an open dialogue with its Shareholders, and it will continually improve its communications with Shareholders to obtain their feedback.

The Company has established a shareholder communication policy to ensure effective communication with its Shareholders. The Company's corporate website also serves as a channel for Shareholders to access information about the Group. Shareholders can obtain access to the Group's key corporate governance policies and documents, including the terms of reference of the various Board committees, as well as all communications for Shareholders including the Group's financial reports and announcements on the website.

Shareholders are welcome to send their requests for extraordinary general meetings, proposed resolutions or enquiries to the Board to the primary contact person of the Company as follows:

China Electronics Optics Valley Union Holding Company Limited
Unit 1916, 19/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong
Attention: Ms. Zhang Xuelian
Email: ovuIR@ovuni.com

The Company will not normally deal with verbal or anonymous enquiries.

Major Properties Information

The following table sets forth an overview of the business park projects and residential projects held by the Group and its joint venture companies as of 31 December 2018

#	Project	Project Company	Location	Interest Attributed to the Group	A Total GFA(2) (sq.m.)
I.	**Completed Properties**				
	Industrial Parks				
1	Optics Valley Software Park (Phase I–IV) (光谷軟件園一至四期)	Wuhan Optics Valley Union	1 Guanshan Avenue, Wuhan, Hubei	100%	508,826
2	Optics Valley Software Park (Phase V) (光谷軟件園五期)	Wuhan Optics Valley Union	1 Guanshan Avenue, Wuhan, Hubei	100%	238,893
3	Optics Valley Software Park (Phase VI) (光谷軟件園六期)	Wuhan Optics Valley Software Park	1 Guanshan Avenue, Wuhan, Hubei	100%	100,106
4	Optics Valley Software Park Exhibition Center (Phase I) (光谷軟件園展示一期)	Wuhan Optics Valley Union	1 Guanshan Avenue, Wuhan, Hubei	100%	1,570
5	Optics Valley Software Park Exhibition Center (Phase II) (光谷軟件園展示中心二期)	Wuhan Optics Valley Union	1 Guanshan Avenue, Wuhan, Hubei	100%	26,319
6	Financial Harbor (Phase I) (金融港一期)	OV Financial Harbour Development	77 Guanggu Avenue, Wuhan, Hubei Province	100%	275,913
7	Financial Harbor (Phase II) (金融港二期)	Wuhan Optics Valley Union	77 Guanggu Avenue, Wuhan, Hubei Province	100%	512,367
8	Creative Capital (創意天地)	Wuhan Optics Valley Union	16 Ye Zhi Hu West Road, Hongshan District, Wuhan, Hubei	100%	386,956
9	Wuhan Research Innovation Center (Phase I) — Minghong (武漢研創中心一期 — 鳴鴻)	Wuhan Minghong	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	43,326
	Wuhan Research Innovation Center (Phase I) — Huisheng (武漢研創中心一期 — 匯盛)	Hubei Huisheng	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	18,091

B		C	D	G	E			F
					Salable GFA[6]			
GFA with Land Use Rights Obtained (sq.m.)	GFA Completed[3] (sq.m.)	GFA Held for Group's Own Use (sq.m.)	Non-Saleable and Non-Leasable GFA[4] (sq.m.)	GFA Underground[3][9] (sq.m.)	GFA Sold[5] (sq.m.)	GFA Presold[5][8] (sq.m.)	GFA Available for Sale[5][7] (sq.m.)	Leasable GFA[5][6] (sq.m.)
457,360	508,826	—	1,495	51,466	435,888	—	541	19,437
183,098	238,893	—	3,421	55,794	174,913	—	—	4,765
80,290	100,106	—	19,225	19,817	61,065	—	—	—
1,570	1,570	—	—	—	—	—	1,570	—
20,717	26,319	165	—	5,602	—	—	—	20,552
256,098	275,913	9,879	4,104	19,815	224,266	—	2,705	15,145
397,557	517,573	—	11,096	114,810	380,240	—	3,371	2,850
308,686	384,532	15,620	8,731	78,270	163,438	—	66,249	54,647
41,350	43,326	—	753	1,887	16,883	4,218	19,585	—
17,681	18,091	—	548	410	8,947	589	7,597	—

#	Project	Project Company	Location	Interest Attributed to the Group	A Total GFA(2) (sq.m.)
10	Wuhan Research and Innovation Center (Phase II) — Huisheng (武漢研創中心二期 — 匯盛)	Hubei Huisheng	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	53,353
11	Qingdao OVU International Marine Information Harbour (1.1 Area, 1.3 Area, 1.4 Area to 1.6 Area) (青島光谷國際海洋信息港1.1區、1.3區、1.4區–1.6區)	Qingdao OVU Development	396 Emeishan Road, Qingdao, Shandong Province	100%	278,628
12	Shenyang Science and Technology City (Phase 1.1) (瀋陽聯合科技城1.1期)	Shenyang OVU Development	Intersection of Sheng Jing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	100%	69,058
13	Ezhou Optics Valley Science and Technology Union City (D2–D3, D5–D9, C1–C3, C7–C9, C6–1) (鄂州光谷聯合科技城一期D2–D3，D5–D9，C1–C3，C7–C9，C6–1)	Hubei Technology Accelerator	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	80%	270,432
14	Hefei Financial Harbor (合肥金融港)	Heifei OVU Development	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	100%	358,765
15	Huangshi Science Technology Union City (Phase I) (黃石聯合科技城一期)	Huangshi OVU Development	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	100%	58,672
16	Qingdao Research and Innovation Center (2-4#, 6-9#) (青島研創中心 (2-4#、6-9#))	Qingdao OVU Development	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	100%	61,165
17	Qingdao Innocenter Public Housing (青島研創公租房)	Qingdao OVU Development	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	100%	25,656

B		C	D	G		E		F
						Salable GFA[6]		
GFA with Land Use Rights Obtained (sq.m.)	GFA Completed[3] (sq.m.)	GFA Held for Group's Own Use (sq.m.)	Non-Saleable and Non-Leasable GFA[4] (sq.m.)	GFA Underground[3][9] (sq.m.)	GFA Sold[5] (sq.m.)	GFA Presold[5][8] (sq.m.)	GFA Available for Sale[5][7] (sq.m.)	Leasable GFA[5][6] (sq.m.)
43,316	53,353	3,058	—	10,036	—	—	28,447	11,812
219,584	278,628	—	1,940	59,044	142,607	—	49,534	25,503
68,196	69,058	1,715	2,660	862	63,821	—	—	—
269,623	270,432	—	—	808	230,925	—	38,699	—
283,492	358,765	—	2,842	75,273	204,837	—	53,636	22,176
58,672	58,672	—	—	—	12,890	—	41,278	4,504
53,527	61,165	—	—	7,638	31,185	—	19,484	2,859
22,099	25,655	—	—	3,556	—	—	—	22,099

#	Project	Project Company	Location	Interest Attributed to the Group	Total GFA(2) (sq.m.) A
18	Shenyang Science and Technology City (Phase 1.2) (瀋陽聯合科技城1.2期)	Shenyang OVU Development	Intersection of Sheng Jing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	100%	11,696
19	Huanggang OVU Science and Technology City (Phase 1.1) (黃岡光谷聯合科技城1.1期)	Huanggang OVU Development	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	70%	43,530
20	Xi'an Industrial Park (西安產業園)	China Electronics Xi'an Industrial Park Development Co., Ltd.	West of Cao Tan Tenth Road, North of Shang Ji Road, Xi'an, Shaanxi Province	73.91%	135,610
21	Shenyang CEOVU Information Harbour (Phase 1.1) (瀋陽中電光谷信息港1.1期)	Shenyang OVU Development	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	100%	92,754
22	Huanggang OVU Science and Technology City (Phase 2.1) (黃岡光谷聯合科技城2.1期)	Huanggang OVU Development	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	70%	28,764
	Subtotal				**3,600,450**
	Residential Properties				
23	Romantic Town (麗島漫城)	Wuhan Xuefu	46 Guanggu Avenue, Wuhan, Hubei Province	51%	158,876
24	Lido Top View (麗島半山華府)	Huangshi OVU Development	No. 76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	100%	148,271
25	Lido 2046 (麗島2046)	Wuhan Optics Valley Union	175 Xiongchu Avenue, Wuhan, Hubei Province	100%	126,629
26	Up Mason (麗島美生)	Wuhan Mason	No. 318 Minzu Avenue, Wuhan, Hubei Province	100%	153,437
	Subtotal				**587,211**

B		C	D	G		E		F
						Salable GFA[6]		
GFA with Land Use Rights Obtained (sq.m.)	GFA Completed[3] (sq.m.)	GFA Held for Group's Own Use (sq.m.)	Non-Saleable and Non-Leasable GFA[4] (sq.m.)	GFA Underground[3][9] (sq.m.)	GFA Sold[5] (sq.m.)	GFA Presold[5][8] (sq.m.)	GFA Available for Sale[5][7] (sq.m.)	Leasable GFA[5][6] (sq.m.)
11,696	11,696	—	—	—	11,696	—	—	—
43,530	43,530	274	1,131	—	16,905	11,690	1,139	12,392
105,313	135,610	3,000	—	30,297	26,771	—	49,607	25,935
91,735	92,754	1,224	160	1,019	50,868	6,803	32,681	—
28,764	28,764	—	—	—	13,945	—	14,819	—
3,063,955	**3,603,231**	**34,934**	**58,106**	**536,405**	**2,272,087**	**23,300**	**430,942**	**244,675**
144,473	158,876	—	1,028	14,403	143,445	—	—	—
148,271	148,271	—	1,189	—	130,620	164	543	15,755
114,860	125,510	—	1,444	11,769	111,564	—	1,853	—
130,260	151,090	—	1,363	23,177	128,896	—	—	—
537,863	**583,746**	**—**	**5,024**	**49,349**	**514,525**	**164**	**2,396**	**15,755**

#	Project	Project Company	Location	Interest Attributed to the Group	A Total GFA(2) (sq.m.)
	Investment property				
27	Lido Garden (麗島花園)	United Real Estate	1 Luoshi Road, Wuhan, Hubei Province	100%	198,119
28	North Harbour Industrial Park (Lido Property) (北港工業園（麗島物業）)	United Real Estate	38 Shucheng Road, Wuhan, Hubei Province	100%	3,546
29	Lido Garden (Lido Property) (麗島花園（麗島物業）)	United Real Estate	1 Luoshi Road, Wuhan, Hubei Province	100%	1,122
30	North Harbour Industrial Park (Lido Technology) (北港工業園（麗島科技）)	United Real Estate	38 Shucheng Road, Wuhan, Hubei Province	100%	3,683
	Subtotal				**206,471**
	Subtotal				**4,394,132**
31(12)	Beihai Project Phase I (Old Project) (北海項目一期（老項目）)	CEC Beihai Industrial Park	West of Beihai Avenue, South of Ke Fu Road, Beihai, Guangxi Province	15%	192,639
32(12)	Beihai Information Harbor (北海信息港)	CEC Beihai Industrial Park	West of Beihai Avenue, South of Ke Fu Road, Beihai, Guangxi Province	15%	53,715
33(11)	Hainan Resort Software Community (Land Plots A, B, E, D and C) (phase I) (海南生態軟件園（A、B、E、D、C地塊一期）)	Hainan Resovt Software Community	Southern section situated at 0.7km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	10%	590,854
34(11)	Hotel and Car Park of Phase V Project situated at land plot C of Hainan Resort Software Community (海南生態軟件園C地塊五期酒店和停車樓)	Hainan Resovt Software Community	Southern section situated at 0.7km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	10%	61,622

B		C	D	G		E		F
						Salable GFA[6]		
GFA with Land Use Rights Obtained	GFA Completed[3]	GFA Held for Group's Own Use	Non-Saleable and Non-Leasable GFA[4]	GFA Underground[3][9]	GFA Sold[5]	GFA Presold[5][8]	GFA Available for Sale[5][7]	Leasable GFA[5][6]
(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
198,119	198,119	—	—	—	191,197	—	—	6,922
3,546	3,546	—	—	—	—	—	—	3,546[10]
1,122	1,122	—	—	—	—	—	1,122	—
3,683	3,683	—	—	—	—	—	—	3,683
206,471	**206,471**	—	—	—	**191,197**	—	**1,122**	**14,151**
3,808,289	**4,393,447**	**34,934**	**63,130**	**585,754**	**2,977,809**	**23,464**	**434,460**	**274,581**
192,434	5,227	343	205	—	—	—	—	186,864
53,715	—	—	1,019	—	—	—	52,696	—
590,854	32,686	—	—	—	332,994	—	119,027	106,147
53,581	53,581	—	8,042	—	—	—	—	—

#	Project	Project Company	Location	Interest Attributed to the Group	Actual/ Estimated Completion Date(2) (month/year)
II	**Projects under Development**				
	Industrial Parks				
1	Ezhou Optics Valley Science and Technology Union City (Phase I D1-1) (鄂州光谷聯合科技城一期D1-1)	Hubei Technology Accelerator	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	80%	1 April 2019
2	Huangshi Science Technology Union City (Phase I) (黃石聯合科技城一期)	Huangshi OVU Development	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	100%	1 December 2019
3	Hefei Financial Harbor (合肥金融港)	Heifei OVU Development	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	100%	30 December 2019
4	Qingdao Research and Innovation Center (1#, 5#) (青島研創中心（1#、5#）)	Qingdao OVU Development	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	100%	1 October 2019
5	Qingdao OVU International Marine Information Harbour Zone 1.2 (青島光谷國際海洋資訊港1.2區)	Qingdao OVU Development	396 Emeishan Road, Qingdao, Shandong Province	100%	1 December 2019

A	B		C	D	G		E		F
							Salable GFA(6)		
Total GFA(3) (sq.m.)	GFA with Land Use Rights Obtained (sq.m.)	GFA Completed(3) (sq.m.)	GFA Held for Group's Own Use (sq.m.)	Non-Saleable and Non-Leasable GFA (4) (sq.m.)	GFA Underground (3)(9) (sq.m.)	GFA Sold(5) (sq.m.)	GFA Presold (5)(8) (sq.m.)	GFA Available for Sale(5)(7) (sq.m.)	Leasable GFA(5)(6) (sq.m.)
15,927	15,927	—	—	—	—	—	—	15,927	—
38,404	37,710	—	—	—	694	—	—	37,710	—
287,986	190,048	—	8,399	2,278	97,938	—	—	161,566	17,805
41,455	33,459	—	—	—	7,996	—	—	33,459	—
38,581	32,639	—	16,506	—	5,943	—	—	16,132	—

#	Project	Project Company	Location	Interest Attributed to the Group	Actual/ Estimated Completion Date[(2)] (month/year)
6	Changsha CEC Software Park (長沙中電軟件園)	Changsha CEC Industrial Park Development Co., Ltd.	Yuelu Avenue in High-tech Industrial Development Zone, Changsha, Hunan Province	100%	1 September 2019
7	Wenzhou Industrial Park (溫州產業園)	CEC Wenzhou Industrial Park	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou City, Zhejiang Province	100%	31 March 2019
	Subtotal				
8[(12)]	Beihai Information Harbor (北海信息港)	CEC Beihai Industrial Park	West of Beihai Avenue, South of Ke Fu Road, Beihai, Guangxi Province	15%	1 December 2019
9	Ningbo Hangzhouwan Blue Coast (寧波杭州灣蔚藍海岸)	Excellence Ningbo Optics Valley Real Estate Co., Ltd.	North of Binhai Main Road, East of Zhongxing 1st Road, New Zone, Hangzhouwan, Zhejiang Province	31%	30 August 2021

A	B		C	D	G		E		F
							Salable GFA[6]		
Total GFA[3] (sq.m.)	GFA with Land Use Rights Obtained (sq.m.)	GFA Completed[3] (sq.m.)	GFA Held for Group's Own Use (sq.m.)	Non-Saleable and Non-Leasable GFA [4] (sq.m.)	GFA Underground [3][9] (sq.m.)	GFA Sold[5] (sq.m.)	GFA Presold [5][8] (sq.m.)	GFA Available for Sale[5][7] (sq.m.)	Leasable GFA[5][6] (sq.m.)
78,269	51,805	—	578	—	26,464	17,803	—	33,424	30,933
136,819	134,816	—	3,671	—	2,003	83,680	—	47,465	—
637,441	496,404	—	29,154	2,278	141,037	101,483	—	345,684	48,738
146,653	124,408	—	—	—	22,245	—	18,302	106,105	—
755,889	602,831	—	—	37,282	153,058	20,787	222,735	322,027	—

Relationship among marked columns:

(A)=(C)+(D)+(E)+(F)+(G)

(B)=(C)+(D)+(E)+(F)

#	Project	Project Company	Location	Interest Attributed to the Group	Actual/ Estimated Completion Date[2] (month/year)
III	**Projects Planned for Future Development**				
	Industrial Parks				
1	Wuhan Research Innovation Center (Phase III) — Minghong (武漢研創中心三期—鳴鴻)	Wuhan Minghong	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	1 May 2019
2	Wuhan Research and Innovation Center (Phase III) — Huisheng (武漢研創中心三期 — 匯盛)	Hubei Huisheng	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	1 May 2019
3	Qingdao Optics Valley Software Park Zones 1.2 and 1.7 area (青島光谷軟件園1.2、1.7區)	Qingdao OVU Development	396 Emeishan Road, Qingdao, Shandong Province	100%	1 December 2019
4	Qingdao Ocean Science and Technology Park (Phase I) (青島海洋科技園一期)	Qingdao OVU Development	South of Changjiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	100%	1 December 2019
5	Ezhou Optics Valley Science and Technology Union City (Phase I) (鄂州光谷聯合科技城一期)	Hubei Technology Accelerator	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	80%	1 September 2019
6	Huangshi Science Technology Union City (Phase I) (黃石聯合科技城一期)	Huangshi OVU Development	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	100%	1 December 2019
7	Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	Huanggang OVU Development	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	70%	1 June 2020
8	Wenzhou Industrial Park (溫州產業園)	CEC Wenzhou Industrial Park	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou City, Zhejiang Province	100%	1 April 2019
9	Xi'an Industrial Park (西安產業園)	CEC Xi'an Industrial Park	West of Cao Tan Tenth Road, North of Shang Ji Road, Xi'an, Shaanxi Province	73.91%	1 December 2019
10	Shenyang CEOVU Information Harbour (Phase 2.1) (沈陽中電光谷信息港2.1期)	Shenyang OVU Development	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	100%	1 April 2020

A	B		C	D	G	E			F
						Salable GFA[6]			
Total GFA[2] (sq.m.)	GFA with Land Use Rights Obtained (sq.m.)	GFA Completed[3] (sq.m.)	GFA Held for Group's Own Use (sq.m.)	Non-Saleable and Non-Leasable GFA[4] (sq.m.)	GFA Underground[3][9] (sq.m.)	GFA Sold[5] (sq.m.)	GFA Presold[5][8] (sq.m.)	GFA Available for Sale[5][7] (sq.m.)	Leasable GFA[5][6] (sq.m.)
57,113	50,003	—	—	200	7,110	—	—	49,803	—
57,155	50,003	—	—	200	7,152	—	—	49,803	—
134,131	111,948	—	2,922	—	22,183	—	—	109,026	—
197,050	167,050	—	6,800	—	30,000	—	—	160,250	—
87,726	51,181	—	—	—	36,545	—	—	51,181	—
93,524	93,524	—	—	—	—	—	—	93,524	—
69,775	69,775	—	—	—	—	—	—	69,775	—
263,108	234,211	—	—	—	28,897	—	—	234,211	—
116,790	116,790	—	—	—	—	—	—	116,790	
73,202	73,202			—	—	—	—	73,202	—

#	Project	Project Company	Location	Interest Attributed to the Group	Actual/ Estimated Completion Date[2] (month/year)
11	Shenyang Maker Corporation (瀋陽創客公社)	Shenyang OVU Development	Intersection of Qixing Street and Shenbei Road, Shenbei New District, Shenyang, Liaoning Province	100%	1 June 2020
12	Changsha CEC Software Park (長沙中電軟件園)	Changsha CEC Industrial Park Development Co., Ltd.	Yuelu Avenue in High-tech Industrial Development Zone	100.00%	30 June 2020
13	Shanghai Internet-of-Things Harbour (上海物聯港)	Shanghai huayue investment and development co. LTD	Lot 114/1, 101 Street, Songjiang Industrial Park, Songjiang	100.00%	1 May 2020
14	Chengdu Chip Valley (成都芯谷)	Chengdu core valley industrial park development co. LTD	No.1 Fengle District, Dongsheng street, Chengdu, Sichuan Province No. 7 Guangrong District, Pengzhen	80%	30 November 2019
15	Civil-military Integration Industrial Development Acceleration Center, Luoyang (洛陽軍民融合產業發展加速中心)	Luoyang CEC Optical Valley Information Port Industrial Co., Ltd.	The intersection of Guanlin Road and Longshan Line, Luolong District, Luoyang, Henan Province	70%	31 December 2019
	Subtotal				
16[11]	Hainan Ecosystem Software Community (Land Plots A, C, E and G) (海南生態軟件業園 (A、C、E、G地塊))	Hainan Resort Software Community	Southern section situated at 0.7km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	10%	1 October 2020
17	Ningbo Hangzhouwan Blue Coast (寧波杭州灣蔚藍海岸)	Excellence Ningbo Optics Valley Real Estate Co., Ltd.	North of Binhai Main Road, East of Zhongxing 1st Road, New Zone, Hangzhouwan, Zhejiang Province	31%	10 January 2023
	I to III Total				

A	B		C	D	G		E		F
							Salable GFA[6]		
Total GFA[2] (sq.m.)	GFA with Land Use Rights Obtained (sq.m.)	GFA Completed[3] (sq.m.)	GFA Held for Group's Own Use (sq.m.)	Non-Saleable and Non-Leasable GFA[4] (sq.m.)	GFA Underground[3][9] (sq.m.)	GFA Sold[5] (sq.m.)	GFA Presold[5][8] (sq.m.)	GFA Available for Sale[5][7] (sq.m.)	Leasable GFA[5][6] (sq.m.)
47,295	36,717	—	10,573	—	10,578	—	—	26,144	—
379,561	310,391	—	4,595	—	69,170	—	—	274,863	—
276,487	207,300	—	—	—	69,054	—	—	207,300	—
56,905	45,753	—	—	—	11,152	—	—	25,484	20,269
98,037	91,507	—	8,887	7,176	6,530	—	—	75,444	—
2,007,860	**1,709,354**	**0**	**33,777**	**7,576**	**298,373**	**0**	**0**	**1,616,798**	**20,269**
439,067	439,067	—	—	—	—	—	—	439,067	—
670,553	426,290	—	—	19,864	244,263	—	—	406,425	—
9,950,425	**8,496,207**	**5,284,031**	**189,360**	**130,473**	**1,453,996**	**3,433,073**	**264,501**	**3,842,290**	**636,599**

Note:

(1) The estimated completion date of a project reflects the Group's best estimate based on its current development plan for the projects.

(2) "Total GFA" in respect of each completed property is based on figures provided in the record of acceptance examination upon project completion in respect of the project for which the Group has obtained the permit, or in some case, its internal records and estimates based on an independent report. "Total GFA" in respect of each project under development is based on figures provided in (i) the construction works commencement permit in respect of the project for which the Group has obtained the permit but not yet obtained the record of acceptance examination upon project completion, (ii) the planning permit for construction works (建設工程規劃許可證) in respect of the project for which the Group has obtained the planning permit for construction works but not yet obtained the construction works commencement permit, or (iii) the Group's internal records and estimates. It includes attributable value of amenities.

(3) "GFA Completed" is based on figures provided in real property certificates, construction and planning permits, surveying reports or records for the acceptance examination upon project completion (竣工驗收備案證明) by the relevant government departments.

(4) "Non-Saleable and Non-Leasable GFA" of properties includes the GFA of certain area above ground used as public car parking spaces and other ancillary facilities.

(5) The following figures are based on the Group's internal records and estimates: (a) "GFA Sold", (b) "GFA Pre-sold", (c) "GFA Available for Sale", (d) "Leasable GFA" and (e) "Underground GFA".

(6) "Leasable GFA" represents the total GFA of investment properties in each project which the Group holds and leases for recurring rental income.

(7) "Saleable GFA" in respect of each completed project represents the GFA designated by the Group for sale but has not been sold; "Saleable GFA" in respect of each project under development represents estimated GFA that is designated by us for sale, being among the GFA that is leasable or saleable according to the pre-sale permit (預售許可證) or, where the pre-sale permit is not yet available, the Group's internal records and estimates.

(8) Figures for "GFA Pre-sold" are based on the Group's internal records. A property is pre-sold when a binding sales agreement has been executed.

(9) "Underground GFA" of properties includes the GFA of certain underground areas used as car parking spaces and other ancillary facilities (including storage rooms, equipment facilities and power supply stations). Save for Lido Garden, the Group does not have titles to or land use rights of the underground car parking spaces in respect of its projects other than an entitlement to use them in accordance with the relevant construction and planning permits and the local general practices in Wuhan. The Group has titles to the underground car parking spaces in Lido Garden.

(10) The total GFA of 3,083 sq.m. excludes the construction of insulation structure for fire prevention. With the total GFA of that structure included, the total GFA would be 3,546 sq.m..

(11) During the Reporting Period, as the Group only holds a 10% equity interest in the project company, the project company's financial information was not included in the Group's consolidated financial statements.

(12) During the Reporting Period, as the Group only holds a 15% equity interest in the project company, the project company's financial information was not included in the Group's consolidated financial statements.

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of China Electronics Optics Valley Union Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 219, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Reclassification of an investment
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of properties over time	
Refer to Note 2.2.3 'Change in accounting policies', Note 4 'Critical accounting estimates and judgments' and Note 5 'Revenue and segment information' to the consolidated financial statements. Revenue from sales of properties is recognised over time when the Group's performance under a sales contract 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 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, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2018, revenue of the Group from sales of properties was RMB1,680 million, of which RMB508 million was recognised over time.	To address this key audit matter, we performed audit procedures as follows: In assessing the appropriateness of management's judgments as to whether the Group has the enforceable right to payment in those sales contracts recognised over time, we have: (i) Understood and evaluated management's procedures in identifying and classifying sales contracts with or without right to payment. (ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms. (iii) Obtained and reviewed the opinion of the Group's internal lawyer, in particular, the internal lawyer's interpretation of the applicable laws and its implication on the assessment of the enforceability of the right to payment. (iv) Compared to the industry practices.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of properties over time	
The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. Management uses judgments, based on its internal lawyer's interpretation and making reference to industry practices, to classify sales contracts into those with right to payment and those without the right. For the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress 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 property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Given the involvement of significant judgments and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.	In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have: (i) Compared the actual development costs of completed projects to management's prior estimations of total development costs to assess management's experience and capability on making cost estimates. (ii) Understood, evaluated and validated the internal controls over the generation of cost data of the property unit. (iii) Assessed the reasonableness of the basis for cost allocation. (iv) Tested the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date, by performing procedures below on a sample basis: • Compared the estimated total development costs of the project and property unit to the budget approved by management. • Tested the development costs incurred by tracing to the supporting documents and the reports from external supervising engineers, where applicable. • Checked the mathematical accuracy of the computation of cost allocation and progress of the property unit. We found that the significant judgments and estimations used in determining whether the Group has the enforceable right to payment, and the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date were supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Reclassification of an investment	
Refer to Note 4 'Critical accounting estimates and judgments' and Note 7 'Other income and gains/(losses) – net' to the consolidated financial statements. On 28 December 2018, based on the changes in the Group's power to participate in the financial and operating policy decisions of Wuhan Easylinkin Technology Co., Ltd. ("Easylinkin Technology"), an previously defined associate of the Group whose 24.9% equity interest was held by the Group, the Group's management considered that the Group could not exercise significant influence over Easylinkin Technology anymore and reclassified the Group's investment in Wuhan Easylinkin Technology Co., Ltd. ("Easylinkin Technology") from investment in an associate to financial assets at fair value through profit or loss. A gain resulted from the excess of the fair value of the financial assets over the carrying amount of the Group's investment in Easylinkin Technology on reclassification date, amounting to RMB131,900,000, was therefore recognised. We focused on this area due to the involvement of management's significant judgments when derterming the appropriate classification of the investment and the magnitude of the gain resulted from the reclassification.	To address this key audit matter, we performed audit procedures as follows: (i) We discussed with management to obtain an understanding on the details of its determination of the reclassification and the basis on which management considered the Group lost significant influence over Easylinkin Technology, including but not limited to how the Group and other investors participate in the financial and operating policy decisions of Easylinkin Technology, other arrangements or transactions among the Group, other investors and Easylinkin Technology, as well as the Group's latest intention to hold its investment in Easylinkin Technology. (ii) In order to assess whether appropriate classification had been adopted by management in relation to the Group's investment in Easylinkin Technology, we also reviewed the terms of Easylinkin Technology's articles of incorporation and all other available facts, which we found no material exceptions. (iii) We analysed the rationality of the financial assets' fair value on the reclassification date determined by management, including the valuation determined by each independent shareholders of Easylinkin Technology during rounds of external financing raised by Easylinkin Technology in the year ended 31 December 2018. We found that the significant judgments used in determining the reclassification, and the gain resulted from the reclassification were supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	

Refer to Note 4 "Critical accounting estimates and assumptions" and Note 16 "Investment properties" to the consolidated financial statements.

The Group's investment properties are measured at fair value model and carried at approximately RMB2,566.06 million as at 31 December 2018 and fair value gains of approximately RMB57.41 million were recognised for the year then ended. The fair values of investment properties are determined by the Group based on the valuations performed by an external valuer engaged by the Group.

The Group's investment property portfolio includes completed investment properties and investment properties under construction.

- For completed investment properties: the valuations of these properties are derived at the average of the investment approach and the direct comparison method. For the investment approach, the relevant key assumptions include term yield, reversionary yield and market monthly rental rate. For the direct comparison method, the relevant key assumption is estimated price per square meter, with reference to recent transactions of comparable properties and adjusting for differences in key attributes such as but not limited to location and property size.

- For investment properties under construction: the valuations of these properties are derived using the residual method. The relevant key assumptions include term yield, reversionary yield, market monthly rental rate, and estimated price per square meter, development costs to completion and developer's profit margin.

All the relevant key assumptions are influenced by the prevailing market conditions and the characteristics of each property of the Group.

We focus on this area due to the financial significance of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involving significant judgements and estimates.

Our audit procedures included:

(i) We assessed the competence, capabilities and objectivity of the external valuer engaged by the Group.

(ii) We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied.

(iii) We assessed the reasonableness of relevant key assumptions used in the valuations including term yield, reversionary yield, market rental rate, estimated price per square meter and developer's profit margin of the selected properties by independently gathering and analysing the data of comparable properties in the market with similar characteristics such as location and property size.

(iv) We checked the key assumption, estimated development costs to completion, of the selected investment properties under construction with the approved budget, of which the reasonableness was assessed by comparison with the actual costs of completed investment properties of the Group.

In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were supportable by available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Sai Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Statement of Profit or Loss

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**3,001,137**	2,692,899
Cost of sales	8	**(1,965,066)**	(1,705,765)
Gross profit		**1,036,071**	987,134
Other income and gains/(losses) – net	7	**223,890**	(22,271)
Selling and distribution expenses	8	**(86,107)**	(81,311)
Administrative expenses	8	**(295,294)**	(258,376)
Net impairment losses on financial and contract assets	8	**(3,480)**	–
Fair value gains on investment properties	16	**57,411**	246,581
Operating profit		**932,491**	871,757
Finance income	10	**67,680**	50,187
Finance costs	10	**(177,591)**	(117,691)
Net finance costs		**(109,911)**	(67,504)
Share of profits of associates	11(b)	**64,336**	22,436
Share of profits of joint ventures	11(b)	**16,777**	2,813
Profit before income tax		**903,693**	829,502
Income tax expense	12	**(312,777)**	(343,815)
Profit for the year		**590,916**	485,687
Profit for the year attributable to:			
– Owners of the Company		**541,486**	446,260
– Non-controlling interests		**49,430**	39,427
Profit for the year		**590,916**	485,687
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (RMB cents)	13	**7.07**	5.74

The notes on pages 116 to 219 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**590,916**	485,687
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
– Revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**14,878**	2,918
Items that may be reclassified to profit or loss:		
– Currency translation differences	**(177,136)**	176,864
Other comprehensive income for the year, net of tax	**(162,258)**	179,782
Total comprehensive income for the year	**428,658**	665,469
Total comprehensive income for the year is attributable to:		
Owners of the Company	**379,228**	626,042
Non-controlling interests	**49,430**	39,427
Total comprehensive income for the year	**428,658**	665,469

The notes on pages 116 to 219 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	At 31 December 2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	454,026	354,267
Investment properties	16	2,566,060	2,317,890
Land use rights	14	3,394	3,464
Intangible assets	17	6,475	6,297
Investments in associates	11(b)	1,517,876	1,267,909
Investments in joint ventures	11(b)	190,117	143,431
Financial assets at fair value through profit or loss	19	235,127	–
Available-for-sale financial assets	19	–	12,000
Trade and other receivables	23	231,581	75,833
Deferred income tax assets	29	32,714	37,515
		5,237,370	4,218,606
Current assets			
Properties under development	20	2,356,821	1,969,272
Completed properties held for sale	21	2,399,282	2,296,780
Inventories and contracting work-in-progress	22	72,832	308,844
Trade and other receivables	23	1,921,211	1,868,990
Current income tax assets		15,406	11,132
Financial assets at fair value through profit or loss	19	30,500	–
Available-for-sale financial assets	19	–	180,000
Contract assets	5(d)	785,452	–
Deposits in banks with original maturities over three months		15,637	72,228
Restricted cash	24	418,883	308,628
Cash and cash equivalents	25	1,927,200	2,133,597
		9,943,224	9,149,471
Current liabilities			
Contract liabilities	5(d)	366,293	–
Trade and other payables	26	2,368,346	2,213,237
Corporate bonds	27	1,069,185	26,368
Bank and other borrowings	28	1,878,085	1,357,880
Current income tax liabilities		352,261	300,614
Current portion of deferred income	30	4,706	5,565
		6,038,876	3,903,664
Net current assets		3,904,348	5,245,807
Total assets less current liabilities		9,141,718	9,464,413

The notes on pages 116 to 219 are an integral part of these consolidated financial statements.

	Note	At 31 December 2018 RMB'000	2017 RMB'000
Non-current liabilities			
Corporate bonds	27	795,739	1,372,780
Bank and other borrowings	28	1,048,543	911,623
Deferred income tax liabilities	29	327,645	269,184
Non-current portion of deferred income	30	42,355	50,081
		2,214,282	2,603,668
Net assets		6,927,436	6,860,745
Equity			
Share capital	31	626,839	634,716
Treasury shares	31	(132,417)	(122,469)
Reserves	32	3,051,428	3,390,702
Retained earnings	33	2,556,537	2,100,562
Total equity attributable to owners of the Company		6,102,387	6,003,511
Non-controlling interests		825,049	857,234
Total equity		6,927,436	6,860,745
Total equity and non-current liabilities		9,141,718	9,464,413

The notes on pages 116 to 219 are an integral part of these consolidated financial statements.

The financial statements on pages 108 to 115 were approved by the Board of Directors on 21 March 2019 and were signed on its behalf.

Huang Liping
Director

Hu Bin
Director

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company											
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Property Revaluation reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018 as original presented		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 IFRS9, net of tax	2	–	–	–	–	–	–	–	–	(47,147)	(47,147)	(2,631)	(49,778)
Adjustment of adoption of IFRS15, net of tax	2	–	–	–	–	–	–	–	–	7,335	7,335	2,295	9,630
Restated total equity as at 1 January 2018		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 year		–	–	–	(177,136)	14,878	–	–	(162,258)	541,486	379,228	49,430	428,658
Transactions with owners, recognised directly in equity													
Appropriation to statutory reserve		–	–	–	–	–	45,699	–	45,699	(45,699)	–	–	–
Non-controlling interests arising on business combination	6	–	–	–	–	–	–	–	–	–	–	40,789	40,789
Capital injection from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	68,496	68,496
Partially capital reduction from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	(3,022)	(3,022)
Transaction with non-controlling interests	32(c)	–	–	–	–	–	–	(53,074)	(53,074)	–	(53,074)	(180,426)	(233,500)
Dividends	34	–	–	(129,370)	–	–	–	–	(129,370)	–	(129,370)	(7,200)	(136,570)
Repurchase of shares	31	–	(54,828)	–	–	–	–	–	–	–	(54,828)	–	(54,828)
Cancellation of shares	31	(7,877)	44,880	(37,003)	–	–	–	–	(37,003)	–	–	–	–
Disposal of certain subsidiaries		–	–	–	–	–	(432)	(2,836)	(3,268)	–	(3,268)	84	(3,184)
Total transactions with owners, recognised directly in equity		(7,877)	(9,948)	(166,373)	–	–	45,267	(55,910)	(177,016)	(45,699)	(240,540)	(81,279)	(321,819)
Balance at 31 December 2018		626,839	(132,417)	2,034,552	35,669	49,772	384,456	546,979	3,051,428	2,556,537	6,102,387	825,049	6,927,436

		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 year		–	–	–	176,864	2,918	–	–	179,782	446,260	626,042	39,427	665,469
Transactions with owners, recognised directly in equity													
Appropriation to statutory reserve		–	–	–	–	–	39,573	–	39,573	(39,573)	–	–	–
Non-controlling interests arising on business combination		–	–	–	–	–	–	–	–	–	–	53,130	53,130
Capital injection from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	143,777	143,777
Transaction with non-controlling interests		–	–	–	–	–	–	18,934	18,934	–	18,934	234,236	253,170
Dividends	34	–	–	(143,122)	–	–	–	–	(143,122)	–	(143,122)	(4,900)	(148,022)
Repurchase of shares	31	–	(189,695)	–	–	–	–	–	–	–	(189,695)	–	(189,695)
Cancellation of shares	31	(23,964)	177,331	(153,367)	–	–	–	–	(153,367)	–	–	–	–
Total transactions with owners, recognised directly in equity		(23,964)	(12,364)	(296,489)	–	–	39,573	18,934	(237,982)	(39,573)	(313,883)	426,243	112,360
Balance at 31 December 2017		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

The notes on pages 116 to 219 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35	(155,570)	558,249
Income tax paid		(198,568)	(280,136)
Cash flows (used in)/generated from operating activities		(354,138)	278,113
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash received/(paid)		34,066	(34,632)
Proceeds from disposal of subsidiaries, net of cash received		7,466	84,793
Interest received		74,103	51,332
Proceeds from disposal of investment properties		103,420	81,767
Proceeds from disposal of property, plant and equipment		811	19,753
Proceeds from disposal of financial assets at fair value through profit or loss	19	695,420	6,000
Purchase of financial assets at fair value through profit or loss	19	(545,921)	(182,000)
Investments in associates	11(b)	(289,744)	(279,083)
Investments in joint ventures	11(b)	(364,018)	(103,888)
Dividends received		44,903	–
Proceeds from disposal of joint ventures		–	40,000
Proceeds from disposal of certain equity interests		7,200	–
Proceeds from capital deduction from a joint venture	11(b)	29,346	–
Withdraw of prepayments for acquisition of certain equity interests		–	70,000
Withdraw of prepayment for acquisition of certain properties		–	44,000
Purchase of property, plant and equipment	15	(69,719)	(16,202)
Purchase of investment properties	16	(95,869)	(20,028)
Proceeds from disposal of prepayments for acquisition of certain equity interests		81,628	–
Prepayments for acquisition of certain equity interests		(600)	–
Prepayments for acquisition of certain properties		(67,895)	(58,300)
Purchase of intangible assets	17	(1,323)	(802)
Decrease/(increase) in deposits in banks with original maturities over three months		56,591	(72,228)
Loans to related parties and third parties		(1,048,557)	(493,159)
Loans repaid from related parties and third parties		645,823	289,800
Decrease/(increase) in restricted cash		5,010	(5,010)
Cash flows used in investing activities		(697,859)	(577,887)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from bank and other borrowings	28	**2,554,380**	1,959,683
Proceeds from issue of corporate bonds	27	**440,000**	792,445
Decrease/(increase) in restricted cash		**33,553**	(87,009)
Repayment of bank and other borrowings	28	**(1,907,940)**	(2,191,736)
Proceeds from loans due to related parties and third parties		**365,295**	513,669
Repayment of loans due to related parties and third parties		**(80,501)**	(206,000)
Payments for repurchase of shares	31	**(54,828)**	(189,695)
Interest paid		**(218,424)**	(187,631)
Dividends paid to the owners of the Company	34	**(129,370)**	(143,122)
Dividends paid to non-controlling interests		**(7,200)**	(4,900)
Capital injection by non-controlling interests		**68,496**	145,217
Consideration paid for acquisition further equity interests in subsidiaries from non-controlling interests	32(c)	**(233,500)**	(98,270)
Proceeds from partially disposal of a subsidiary without change of control		**–**	350,000
Partial capital reduction by non-controlling interests		**(3,022)**	–
Cash flows generated from financing activities		**826,939**	652,651
Net (decrease)/increase in cash and cash equivalents		**(225,058)**	352,877
Cash and cash equivalents at beginning of the year		**2,133,597**	1,812,583
Effect of foreign exchange rate changes		**18,661**	(31,863)
Cash and cash equivalents at end of the year		**1,927,200**	2,133,597

The notes on pages 116 to 219 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

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 primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS and HKCO

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622.

2.1.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

2.1.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 *Basis of preparation (continued)*

2.1.3 *New and amended standards adopted by the Group (continued)*

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2.2 below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

2.1.4 *New and amended standards and interpretations not yet adopted*

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Annual improvements project (amendments)	Annual improvements to 2015-2017 cycle	1 January 2019
IFRS 19 (amendments)	Plan amendment, curtailment or settlement	1 January 2019
IFRS 28 (amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 (amendments)	Prepayment features with negative compensation	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 3 (amendments)	Definition of business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Except for IFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.4 New and amended standards and interpretations not yet adopted (continued)

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the year ended 31 December 2018 in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB388,625,000, see Note 37. The Group's operating leases mainly consisted of leased properties for self-occupied purpose and rental purpose. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Management is yet assessing the impacts to the Group's financial position and financial performance for the coming year.

2.2 Change in accounting policy

2.2.1 Impact on the financial statements

As explained in Note 2.2.2 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 financial positon as at 31 December 2017, but are recognised in the opening financial position on 1 January 2018.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policy (continued)

2.2.1 Impact on the financial statements (continued)

Statement of financial position	31 December 2017 As originally presented	Impact from IFRS 9	Impact from IFRS 15	1 January 2018 Restated
	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 2.2.2)	(Note 2.2.3)	
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
Available-for-sale financial assets	180,000	(180,000)	–	–
Contract assets	–	(15,339)	286,816	271,477
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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policy (continued)

2.2.1 Impact on the financial statements (continued)

Statement of financial position (Continued)	31 December 2017 As originally presented	Impact from IFRS 9	Impact from IFRS 15	1 January 2018 Restated
	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 2.2.2)	(Note 2.2.3)	
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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policy (continued)

2.2.2 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 2.1.3 above. 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	RMB'000
Closing retained earnings 31 December 2017 – IAS 39/IAS 18		2,100,562
Reclassify investments from available-for-sale to financial assets at fair value through profit or loss	(a)	–
Increase in provision for trade and other receivables and contract assets	(b)	(62,843)
Increase in deferred tax assets relating to loss allowance provisions	(b)	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 2018 – IFRS 9 (before restatement for IFRS 15)		2,053,415

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Change in accounting policy* (continued)

2.2.2 *IFRS 9 "Financial Instruments" – Impact of adoption* (continued)

(a) 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	**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	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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policy (continued)

2.2.2 IFRS 9 "Financial Instruments" – Impact of adoption (continued)

(b) 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 2.2.2 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 loss allowance was immaterial.

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

	Contract assets	Trade receivables	Other receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(i)	(i)	(ii)	
At 31 December 2017 – calculated under IAS 39	–	–	–	–
Amounts restated through opening retained earnings	15,339	29,629	17,874	62,842
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	15,339	29,629	17,874	62,842

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Change in accounting policy (continued)*

2.2.2 IFRS 9 "Financial Instruments" – Impact of adoption (continued)

(b) Impairment of financial assets (continued)

(i) Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure 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 1 January 2018, and the loss of allowance provision of contract assets amounted to RMB15,339,000 as at 1 January 2018.

The loss allowances decreased by RMB5,657,000 to RMB23,972,000 for trade receivables and increased by RMB11,634,000 to RMB26,673,000 for contract assets during the current reporting period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policy (continued)

2.2.2 IFRS 9 "Financial Instruments" – Impact of adoption (continued)

(b) Impairment of financial assets (continued)

(ii) 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 decrease in the allowance by RMB2,497,000 during the current reporting period.

2.2.3 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 financial positon at the date of initial application (1 January 2018).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policy (continued)

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

	Notes	IAS 18 carrying amount* 31 December 2017 RMB'000	Reclassification RMB'000	Re-measurements RMB'000	Offsetting	IFRS 15 carrying amount 1 January 2018 RMB'000
Contract assets	(a),(b),(c)	–	275,694	41,566	(30,444)	286,816
Properties under development	(b)	1,969,272	–	(26,710)	–	1,942,562
Contract liabilities	(b),(c)	–	266,138	–	(30,444)	235,694
Trade and other payables	(c)	2,213,237	(266,138)	–	–	1,947,099
Deferred tax liabilities	(a),(b)	269,184	–	3,210	–	272,394
Inventories and contracting work-in progress	(c)	308,844	(275,694)	–	–	33,150
Current income tax liabilities	(b)	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 2.2.2 above were not reflected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Change in accounting policy (continued)*

2.2.3 *IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption (continued)*

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

	Notes	1 January 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	(a)	131
Recognition of asset for contact assets in relation with revenue recognised over time, before offsetting related contract liabilities	(b)	41,435
Decrease in properties under development in relation with revenue recognised over time	(b)	(26,710)
Increase in current income tax liabilities	(b)	(2,016)
Increase in deferred tax liabilities	(a),(b)	(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

(a) 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. The asset is amortised on a straight line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policy (continued)

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

(b) 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 1 January 2018, 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 RMB 2,016,000 were recognised respectively, resulting in net adjustment to retained earnings of RMB7,250,000..

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.3.4 below), after initially being recognised at cost.

2.3.3 Joint arrangements

Under IFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures.

Interests in joint ventures are accounted for using the equity method (see Note 2.3.4 below), after initially being recognised at cost in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.4 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.3.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's most senior executive management that makes strategic decisions.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is Hong Kong Dollar ("HK$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The Group determine to present its financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance income or expenses'. All other foreign exchange gains and losses are presented in statement of profit or loss within 'Other income and gains/(losses) – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting currency translation differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-30 years
Machines	3-10 years
Motor vehicles	5-10 years
Furniture, office equipment and others	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Construction in progress represents the direct costs of construction incurred in property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time that the relevant assets are completed and available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the statement of profit or loss as part of a valuation gain or loss in 'fair value gains on investment properties'. If an item of properties under development or completed properties held for sale becomes an investment property because its use has changed, any difference between the fair value of the property at that date and its previous carrying amount is recognised in statement of profit or loss as part of a valuation gain or loss in 'fair value gains on investment properties'.

2.10 Intangible assets

2.10.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

2.10.2 Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which is 3-10 years.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Investments and other financial assets

2.12.1 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 *Investments and other financial assets (continued)*

2.12.2 *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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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.

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. Loss allowances are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income: 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 fair value through other comprehensive income. 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

2.12.2 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 fair value through profit or loss are recognised in other gains/(losses) in the statement of profit or loss as applicable. Loss allowances (and reversal of loss allowances) on equity investments measured at fair value through other comprehensive income 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 fair value through other comprehensive income. 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.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.15 *Completed properties held for sale*

Completed properties remaining unsold at year ended are stated at the lower of cost and net realisable value. Cost comprises costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.16 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 *Trade receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 3 to 12 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade receivables and Note 4.1 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the financial position.

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Treasury shares

The consideration paid by the Company for repurchasing the its shares from the market for cancellation purpose, including any directly attributable incremental cost, is presented as "Treasury Shares" and deducted from total equity.

The Company also set up a share scheme trust ("Share Scheme Trust") for the purpose of purchasing the Company's shares from the market and awarding to employee in the future ("Share award scheme"). The consideration paid by the Share Scheme Trust for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Treasury Shares" and deducted from total equity.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 *Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 *Current and deferred income tax (continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For the defined contribution plan, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.26 Revenue recognition

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

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

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.

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.

2.27 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.29 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.30 *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.31 *Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of assets are deducted from costs of the assets and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.32 *Earnings per share*

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group, which includes the executive directors of the Group.

(a) Market risk

(i) Foreign exchange risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. As at 31 December 2018 and 2017, the group companies had no significant foreign currency denominated monetary assets and monetary liabilities with respect to their respective functional currencies, therefore the directors of the Company consider that the Group has no significant exposure to foreign exchange risk.

(ii) Interest rate risk

The Group's interest rate risk arises from cash and cash equivalents, restricted cash, deposits in banks with original maturities over three months, investments in wealth management products recorded in financial assets at fair value through profit or loss (2017:available-for-sale financial assets) and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents, restricted cash, deposits in banks with original maturities over three months and investments in wealth management products recorded in financial assets at fair value through profit or loss (2017:available-for-sale financial assets) because the interest rates of these assets are not expected to change significantly.

The interest rates and terms of repayment of bank loans and other borrowings of the Group are disclosed in Note 28. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2018, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB 46,073,000 (2017: RMB 3,887,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. The sensitivity analysis has not excluded the financial impact of capitalised interest expense.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, deposits in banks with original maturities over three months, investments in wealth management products recorded in financial assets at fair value through profit or loss (2017: available-for-sale financial assets), contract assets and trade and other receivables. The carrying amounts of the above assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, cash and cash equivalents, restricted cash, deposits in banks with original maturities over three months and investments in wealth management products recorded in financial assets at fair value through profit or loss (2017: available-for-sale financial assets) are substantially deposited at state-owned banks and other medium or large size listed financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties. Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and receivable from construction contracts, which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 *Financial risk factors (continued)*

(b) *Credit risk (continued)*

- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower

- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Impairment losses on trade receivables, contract assets and other receivables are presented as "net impairment losses on financial and contract assets" within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(i) Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure 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 31 December 2018 (refer to Note 2.2.2(b) for the loss allowance as at 1 January 2018 on adoption of IFRS 9) 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 31 December 2018						
Expected loss rate	–	1.50%	3.00%	4.50%	10.00%	
Gross carrying amount	377,530	116,899	3,097	5,934	218,591	722,051
Loss allowance provision	–	1,753	93	267	21,859	23,972

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. Expected loss rate of contract assets is assessed to be 3.32% and 5.35% as at 31 December 2018 and 1 January 2018, and the loss of allowance provision of contract assets amounted to RMB26,973,000 and RMB15,339,000 as at 31 December 2018 and 1 January 2018, respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) 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).

The loss allowance decreased by RMB2,497,000 to RMB15,377,000 for other receivables during the current reporting period.

(iii) Loss allowance movement during the year

The loss allowance for financial assets as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Contract assets 2018 RMB'000	Trade receivables 2018 RMB'000	Other receivables 2018 RMB'000	Total 2018 RMB'000
31 December – calculated under IAS 39	–	–	–	–
Amounts restated through opening retained earnings (Note 2.2.2(b))	15,339	29,629	17,874	62,842
Opening loss allowance as at 1 January – calculated under IFRS 9	15,339	29,629	17,874	62,842
Increase/(reverse) in loss allowance recognised in profit or loss during the year	11,634	(5,657)	(2,497)	3,480
At 31 December	26,973	23,972	15,377	66,322

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

For the year ended 31 December 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	More than 5 years RMB'000
Bank and other borrowings	2,926,628	2,424,300	1,223,036	750,895	442,306	8,063
Corporate bonds	1,864,924	1,992,172	1,164,463	827,709	–	–
Trade and other payables (excluded receipts in advance and payroll)	2,307,158	2,325,725	2,325,725	–	–	–
	7,098,710	6,742,197	4,713,224	1,578,604	442,306	8,063

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' and 'corporate bonds' as shown in the consolidated statement of financial position), "loans due to related parties" and "loans due to a third party" as well as "interests payable" shown in "trade and other payables" in the consolidated statement of financial position, less cash and cash equivalents and restricted cash used for financing purpose. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Net debt (Note 35(c))	**3,020,297**	1,619,844
Total equity	**6,927,436**	6,860,745
Total capital	**9,947,733**	8,480,589
Gearing ratio	**30.36%**	19.10%

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

See Note 16 for disclosures of the investment properties that are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities	–	–	235,127	235,127
– Wealth management products	–	–	30,500	30,500
	–	–	265,627	265,627

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation *(continued)*

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the years ended 31 December 2018 and 2017:

	Financial assets at fair value through profit or loss (recognised as available-for-sale financial assets for the year ended 31 December 2017 under IAS 39)	
	2018	2017
	RMB'000	RMB'000
Opening balance at 1 January	**192,000**	16,000
Transfer from investment in associates	**94,063**	–
Net gain from transfer from investment in associates	**129,063**	–
Other additions	**545,921**	182,000
Disposals	**(695,420)**	(6,000)
Closing balance at 31 December	**265,627**	192,000
Recognised gains for the year included in "other income and gains/(losses) – net"	**129,063**	–

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

Revenue from sales of properties in the PRC is recognised over time when the Group's performance 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; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. Management uses judgments, based on its internal lawyer's interpretation and making reference to industry practice, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgments on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress 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 property unit in the contract. The Group allocates common costs based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 *Critical accounting estimates and assumptions (continued)*

(b) *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 3.1(b). 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.

(c) *Fair value of investment properties*

The fair value of investment properties is determined by using valuation technique. The relevant key assumptions applied in valuation involves significant judgement and estimates. Details of the judgements and assumptions have been disclosed in Note 16.

(d) *Write-down of inventories for property development*

As explained in Note 2.14 and 2.15, the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net realisable value, provision for completed properties held for sale and properties under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Based on management's best estimates, there was no impairment for completed properties held for sale and properties under development as at 31 December 2018 and 2017.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(f) Provision for PRC land appreciation tax ("LAT")

As explained in Note 12, the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

(g) Income tax

The Group is subject to income tax in different jurisdictions. Estimation and judgment is required in determining the amount of the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact on the income tax and deferred tax provisions in the period in which such determination is made.

According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. During the year, the directors reassessed the cash requirements of the Group and the dividend policies of its major subsidiaries established in the PRC, based on the Group's current business plan and financial position, the directors considered that the retained earnings of the PRC subsidiaries as at 31 December 2018 would not be distributed to their overseas holding companies in the foreseeable future and thus no deferred tax liability was provided accordingly.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 *Critical accounting estimates and assumptions (continued)*

(h) Classification of investments

The Group made certain significant amounts of equity investments. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies and its decision making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies, any other arrangements or transactions among the Group, its other investors and/or the investee companies, and the Group's returns from the investments.

Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated statement of financial position and the consolidated statement of profit or loss of the Group.

5 REVENUE AND 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 year ended 31 December 2017 was re-presented for comparison purposes. At 31 December 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.

- 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, design and construction service for the certain projects under construction, property management service, energy service, financing service and other services for industrial parks.

- Industrial investment: this segment represents the Group's industrial-related strategic investments in certain start-up companies. Management considers this segment not reportable for the year ended 31 December 2017 as its revenue, profit or loss and assets are all less than 10% of those of the Group.

5 REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment results

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

Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the year ended 31 December 2018

	Industrial park space services RMB'000	Industrial park operation services RMB'000	Industrial investment RMB'000	Total RMB'000
Segment revenue	1,912,725	1,439,306	–	3,352,031
Inter-segment revenue	(66,450)	(284,444)	–	(350,894)
Revenue from external customers	1,846,275	1,154,862	–	3,001,137
Segment results	615,202	138,104	121,774	875,080
Depreciation and amortisation	(21,365)	(47,237)	(133)	(68,735)

5 REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment results (continued)

For the year ended 31 December 2017

	Industrial park space services RMB'000	Industrial park operation services RMB'000	Total RMB'000
Segment revenue	1,900,582	996,103	2,896,685
Inter-segment revenue	(38,610)	(165,176)	(203,786)
Revenue from external customers	1,861,972	830,927	2,692,899
Segment results	542,008	83,168	625,176
Depreciation and amortisation	(20,437)	(14,790)	(35,227)

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

	2018 RMB'000	2017 RMB'000
Segment results	**875,080**	625,176
Fair value gains on investment properties	**57,411**	246,581
Share of profits of associates	**64,336**	22,436
Share of profits of joint ventures	**16,777**	2,813
Finance income	**67,680**	50,187
Finance costs	**(177,591)**	(117,691)
Income tax expense	**(312,777)**	(343,815)
Profit for the year	**590,916**	485,687

5 REVENUE AND SEGMENT INFORMATION (continued)

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

	2018 RMB'000	2017 RMB'000
Industrial park space services		
Sales of industrial park	**1,662,153**	1,721,922
Sales of ancillary residential properties	**17,808**	31,995
Self-owned park leasing	**166,314**	108,055
	1,846,275	1,861,972
Industrial park operation services		
Design and construction services	**472,934**	392,322
Property management services	**448,360**	291,711
Energy services	**96,123**	72,542
Group catering and hotel services	**51,871**	43,397
Industrial financial services	**26,304**	10,000
Others	**59,270**	20,955
	1,154,862	830,927
Total	**3,001,137**	2,692,899

The Group's entire revenue is attributable to the market in Mainland China and over 99% of the Group's non-current assets other than financial instruments and deferred income tax assets are located in Mainland China. No geographical information is therefore presented.

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

5 REVENUE AND SEGMENT INFORMATION (continued)

(d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	Notes	31 December 2018 RMB'000	1 January 2018* RMB'000	31 December 2017 RMB'000
Current contract assets relating to sales of properties		213,491	10,991	–
Current contract assets relating to construction services		598,156	275,694	–
Current asset recognised for costs incurred to obtain contracts		778	131	–
Loss allowance	3.1(b)	(26,973)	(15,339)	–
Total contract assets		785,452	271,477	–
Contract liabilities relating to property development contracts	5(e)	366,293	235,694	–

* See Note 2.2 for details about changes in accounting policies.

(e) Contract liabilities

As at 31 December 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 amounting to RMB235,694,000 at the beginning of the year, RMB165,180,000 was recognised as revenue in the current reporting period relates to carried-forward contract liabilities.

6 BUSINESS COMBINATIONS

(a) Acquisition of 60% equity interest in Shenzhen CEC i-Valley Operation Co., Ltd. ("CEC i-Valley Company")

On 27 September 2018, the Group (through Wuhan Optics Valley Union Group Co., Ltd ("Wuhan OVU") and Wuhan OVU Technology Co., Ltd ("OVU Technology"), being subsidiaries of the Company) entered into a capital contribution agreement with China Electronics Corporation Limited ("CEIS Company", a related party of the Company who originally held 100% equity interests in CEC i-Valley Company) and CEC i-valley Company, pursuant to which, amongst others, the Group would make cash contributions to the capital of CEC i-Valley Company amounting to approximately RMB30,307,000. Upon completion of the above transaction on 29 September 2018, the Group held 60% equity interests in CEC i-Valley Company and obtained control over CEC i-Valley Company. Accordingly, CEC i-Valley Company became a subsidiary of the Company.

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

	RMB'000
Purchase consideration	
– Cash consideration paid	30,307

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

	RMB'000
Cash and cash equivalents	62,088
Property, plant and equipment	2,687
Trade and other receivables	1,270
Trade and other payables	(15,471)
Current income tax liabilities	(62)
Total identifiable net assets	50,512
Non-controlling interests	(20,205)
Goodwill	–
Cash inflow on acquisition, net of cash and cash equivalents therefore consolidated	31,781

Had CEC i-Valley Company been consolidated from 1 January 2018, the consolidated statement of profit or loss of the Group would show pro-forma revenue of RMB3,013,135,000 and pro-forma profit for the year of RMB594,171,000.

6 BUSINESS COMBINATIONS (continued)

(b) Acquisition of Hengqin China Electronics Youpu Cloud Data Co., Ltd. ("Youpu Company")

The Group originally held 45% equity interests in Youpu Company and recognised it as an investment in a joint venture. On 1 July 2018, the Group (through Wuhan OVU, being a subsidiary of the Company), entered into an agreement with Ms. Shu Chunping, a senior management of the Company who held 15% equity interests in Youpu Company, pursuant to which Ms. Shu Chunping would act in concert with the Group when she is voting in the board of directors' meeting and shareholders' meeting of Youpu Company. Accordingly, the Group obtained control over Youpu Company and Youpu Company became a subsidiary of the Company.

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

	RMB'000
Purchase consideration	
– Fair value of 45% equity interests in Youpu Company held by the Group	16,842

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

	RMB'000
Cash and cash equivalents	2,285
Property, plant and equipment	54,830
Inventories	77
Trade and other receivables	23,627
Trade and other payables	(43,393)
Total identifiable net assets	37,426
Non-controlling interests	(20,584)
Goodwill	–
Cash inflow on acquisition, net of cash and cash equivalents therefore consolidated	2,285

Had Youpu Company been consolidated from 1 January 2018, the consolidated statement of profit or loss of the Group would show pro-forma revenue of RMB3,037,660,000 and pro-forma profit for the year of RMB614,374,000.

7 OTHER INCOME AND GAINS/(LOSSES) – NET

	2018 RMB'000	2017 RMB'000
Net gain on transfer from investment in associates to financial assets at fair value through profit or loss (a)	**129,063**	–
Gain on disposal of investment properties	**46,745**	22,761
Gain from deemed partial disposal (a)	**29,950**	29,474
Government subsidies	**26,811**	17,529
Loss on disposal of subsidiaries	**(12,658)**	(8,118)
Compensation income	**3,937**	–
Net gain on disposal of property, plant and equipment	**458**	7,253
Loss on disposal of a joint venture	**–**	(91,423)
Others	**(416)**	253
	223,890	(22,271)

(a) In June 2018, 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, while the remaining new registered capital was contributed by certain independent investors with cash. 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.

On 28 December 2018, the Group lost its seats in the board of directors of Easylinkin Technology and the directors of the Company considered that the Group cannot exercise significant influence over Easylinkin Technology anymore based on the consideration of the totality of facts. Accordingly, the Group's remaining 24.9% equity interests in Easylinkin Technology was transferred from investment in an associate to financial assets at fair value through profit or loss. The fair value of the financial assets, amounting to RMB206,164,000, was determined with reference to the valuation determined by each independent shareholders of Easylinkin Technology during rounds of external financing raised by Easylinkin Technology in the year ended 31 December 2018. The excess of the fair value of the financial assets over the carrying amount of the Group's investment in Easylinkin Technology, amounting to RMB131,900,000, was recognised as a gain in the consolidated statement of profit or loss, which constituted the major part of "net gain on transfer from investment in associates to financial assets at fair value through profit or loss".

8 EXPENSES BY NATURE

	2018 RMB'000	2017 RMB'000
Cost of properties sold	**1,084,080**	1,054,607
Cost of construction services	**334,336**	290,455
Employee benefit expenses (Note 9)	**487,909**	380,745
Outsourcing costs for property management	**223,623**	133,261
Operating lease payments	**36,350**	17,405
Depreciation (Note 15)	**67,520**	34,332
Amortisation (Note 14 and 17)	**1,215**	895
Net impairment losses on financial and contract assets	**3,480**	–
Other professional service fees	**19,707**	15,319
Advertising costs	**16,632**	21,349
Auditors' remuneration		
– Audit services	**2,000**	2,000
– Non-audit services	**960**	960
Other expenses	**72,135**	94,124
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial and contract assets	**2,349,947**	2,045,452

9 EMPLOYEE BENEFIT EXPENSE

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**458,319**	357,340
Contributions to defined contribution retirement schemes	**29,590**	23,405
	487,909	380,745

9 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Defined contribution retirement schemes

As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 18% to 20% (2017: 18% to 20%) of the eligible salary of its employees on a monthly basis. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits.

Forfeited contributions is nil (2017: nil) were utilised during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: two) directors whose emoluments are reflected in the analysis shown in Note 41. The emoluments payable to the remaining three (2017: three) individuals during the year are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	8,472	7,434
Retirement schemes contribution	62	57
	8,534	7,491

The emoluments of these three individuals with the highest emoluments fell within the following bands:

	2018	2017
HK$2,500,001 to HK$3,000,000	1	2
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	1	1
	3	3

10 FINANCE INCOME AND COSTS

	2018 RMB'000	2017 RMB'000
Interest expenses	(291,967)	(221,411)
Capitalised interest expenses	114,298	101,801
Net foreign exchange gains	78	1,919
Finance costs	(177,591)	(117,691)
Interest income from loans provided to related parties (Note 38(b))	17,602	26,335
Interest income from deposits	43,740	17,404
Income from financial assets at fair value through profit or loss	6,338	6,448
Finance income	67,680	50,187
Net finance costs	(109,911)	(67,504)

Borrowing costs arising on financing specifically arranged for the construction of properties were capitalised using the rates ranged from 4.66% to 5.94% (2017:5.23% to 5.70%) per annum, and other borrowing costs were capitalised using an average interest rate of 6.62% (2017: 6.65%) per annum.

11(A) SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2018:

Name of company	Place of incorporation and kind of legal entity	Paid-in/registered capital	Effective interest held by the Company		Principal activities and place of operation
			Direct	Indirect	
United Real Estate (Wuhan) Co., Ltd. 聯合置業(武漢)有限公司*	The PRC Limited liability company	RMB1,450,000,000/ RMB2,150,000,000	–	100%	Property development in the PRC
China Electronics Technology Development Co., Ltd. ("CEC Technology") 中國電子科技開發有限公司*	The PRC Limited liability company	RMB100,000,000/ RMB100,000,000	–	50%	Investment holding in the PRC
Wuhan OVU. 武漢光谷聯合集團有限公司*	The PRC Limited liability company	RMB2,000,000,000/ RMB2,000,000,000	–	100%	Property development in the PRC
Huangshi Optics Valley Union Development Co., Ltd. 黃石光谷聯合發展有限公司*	The PRC Limited liability company	RMB100,000,000/ RMB100,000,000	–	100%	Property development in the PRC
Qingdao Optics Valley Union Development Co., Ltd. 青島光谷聯合發展有限公司*	The PRC Limited liability company	RMB200,000,000/ RMB200,000,000	–	100%	Property development in the PRC
Hubei Huisheng Technology Development Co., Ltd. 湖北匯盛科技發展有限公司*	The PRC Limited liability company	RMB21,000,000/ RMB21,000,000	–	100%	Property development in the PRC
Wuhan Minghong Technology Development Co., Ltd. 武漢鳴鴻科技發展有限公司*	The PRC Limited liability company	RMB30,000,000/ RMB30,000,000	–	100%	Property development in the PRC
Wuhan Lido Technology Company Limited 武漢麗島科技有限公司*	The PRC Limited liability company	RMB110,000,000/ RMB110,000,000	–	100%	Construction services in the PRC

11(A) SUBSIDIARIES (continued)

Name of company	Place of incorporation and kind of legal entity	Paid-in/registered capital	Effective interest held by the Company Direct	Effective interest held by the Company Indirect	Principal activities and place of operation
Wuhan Jitian Construction Co., Ltd. 武漢吉天建設工程有限公司*	The PRC Limited liability company	RMB110,000,000/ RMB110,000,000	–	100%	Construction services in the PRC
Wuhan CEC Energy Conservation Co., Ltd. 武漢中電節能有限公司*	The PRC Limited liability company	RMB66,000,000/ RMB66,000,000	–	81%	Energy-saving technique development in the PRC
Wuhan Lido Property Management Co., Ltd. 武漢麗島物業管理有限公司*	The PRC Limited liability company	RMB110,000,000/ RMB110,000,000	–	100%	Property management services in the PRC
Shenyang Optics Valley Union Development Co., Ltd. 沈陽光谷聯合發展有限公司	The PRC Limited liability company	RMB150,000,000/ RMB150,000,000	–	100%	Property development in the PRC
Hubei Technology Enterprise Accelerator Co., Ltd. 湖北科技企業加速器有限公司*	The PRC Limited liability company	RMB150,000,000/ RMB150,000,000	–	80%	Property development in the PRC
Hefei Optics Valley Union Development Co., Ltd 合肥光谷聯合發展有限公司*	The PRC Limited liability company	RMB100,000,000/ RMB180,000,000	–	100%	Property development in the PRC
Huanggang Optics Valley Union Development Co Ltd. 黃岡光谷聯合發展有限公司*	The PRC Limited liability company	RMB200,000,000/ RMB200,000,000	–	70%	Property development in the PRC
Wuhan Ziyuantang Art Co., Ltd 武漢紫緣堂藝術品有限公司*	The PRC Limited liability company	RMB100,000,000/ RMB100,000,000	–	100%	Exhibition related service in the PRC
Wuhan Optics Valley Union Properties Investment Fund Limited Partnership 武漢光谷聯合產業投資基金合夥企業(有限合夥)*	The PRC Limited Partnership	RMB86,810,000/ RMB100,000,000	–	100%	Investment fund in the PRC

11 (A) SUBSIDIARIES (continued)

Name of company	Place of incorporation and kind of legal entity	Paid-in/registered capital	Effective interest held by the Company		Principal activities and place of operation
			Direct	Indirect	
China Electronics Wenzhou Industrial Park Development Co., Ltd. ("CEC Wenzhou Industrial Park") 中國電子溫州產業園發展有限公司*	The PRC Limited liability company	RMB500,000,000/ RMB500,000,000	–	95%	Property development in the PRC
China Electronics Xi'an Industrial Park Development Co., Ltd. 中國電子西安產業園發展有限公司*	The PRC Limited liability company	RMB103,500,000/ RMB103,500,000	–	73.91%	Property development in the PRC
Wenzhou China Electronics United municipal infrastructure Co., Ltd. 溫州中電聯合市政基礎設施有限公司*	The PRC Limited liability company	RMB55,000,000/ RMB100,000,000	–	100%	Construction services in the PRC
Wuhan Yudatong Venture Investment Fund Limited Partnership 武漢譽達通創業投資基金合夥企業（有限合夥）*	The PRC Limited Partnership	RMB100,000,000/ RMB100,000,000	–	60%	Investment fund in the PRC
CEC Optics Valley Architecture Design Institute Co., Ltd. 中電光谷建築設計院有限公司*	The PRC Limited liability company	RMB50,000,000/ RMB300,000,000	–	100%	Property management services in the PRC
CEC Optics Valley (Shenzhen) Industry Development Co., Ltd. 中電光谷(深圳)產業發展有限公司*	The PRC Limited liability company	RMB500,000,000/ RMB500,000,000	–	100%	Property management services in the PRC
Heng Qin Zhi Shu Cloud Computing Industry Research Institute Co., Ltd. 橫琴智數雲計算產業研究院有限公司*	The PRC Limited liability company	RMB99,000,000/ RMB100,000,000	–	60%	Property management services in the PRC
Luoyang CEC Optical Valley Information Port Industrial Co., Ltd. 洛陽中電光谷信息港實業有限公司*	The PRC Limited liability company	RMB100,000,000/ RMB100,000,000	–	70%	Property management services in the PRC

11 (A) SUBSIDIARIES (continued)

Name of company	Place of incorporation and kind of legal entity	Paid-in/registered capital	Effective interest held by the Company: Direct	Effective interest held by the Company: Indirect	Principal activities and place of operation
Hubei Han Bo Yuan Thermal Equipment Company Limited 湖北瀚博源熱力設備有限公司*	The PRC Limited liability company	RMB22,450,000/ RMB22,450,000	–	51%	Construction services in the PRC
Growing Business Innovation and Guarantee. Co, Ltd 成長企業創新擔保有限公司*	The PRC Limited liability company	RMB100,000,000/ RMB100,000,000	–	60%	Property management services in the PRC
Shenzhen Jia Xin Growth Investment Co., Ltd. 深圳嘉信成長投資有限公司*	The PRC Limited liability company	RMB20,000,000/ RMB20,000,000	–	100%	Property management services in the PRC
Changsha CEC Industrial Park Development Co., Ltd. 長沙中電產業園發展有限公司*	The PRC Limited liability company	RMB300,000,000/ RMB300,000,000	–	100%	Property management services in the PRC
Shanghai huayue investment and development co. LTD 上海華悅投資發展有限公司*	The PRC Limited liability company	RMB390,000,000/ RMB390,000,000	–	100%	Property development in the PRC
Chengdu core valley industrial park development co. LTD 成都芯谷產業園發展有限公司*	The PRC Limited liability company	RMB10,000,000/ RMB500,000,000	–	80%	Property development in the PRC
Hengqin China Electronics Youpu Cloud Data Limited 橫琴中電友普雲數據有限公司*	The PRC Limited liability company	RMB9,000,000/ RMB30,000,000	–	45%	Property management services in the PRC
CEC i-Valley Company 深圳中電智谷運營有限公司*	The PRC Limited liability company	RMB1,000,000/ RMB6,156,400	–	60%	Property management services in the PRC

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

As at 31 December 2018 and 2017, none of the non-controlling interest of the non-wholly owned subsidiaries was material to the Group.

11(B) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated statements of financial position are as follows:

	2018 RMB'000	2017 RMB'000
Associates	1,517,876	1,267,909
Joint ventures	190,117	143,431
At 31 December	1,707,993	1,411,340

The amounts recognised in the consolidated statement of profits or losses as share of profits are as follows:

	2018 RMB'000	2017 RMB'000
Associates	64,336	22,436
Joint ventures	16,777	2,813
For the year ended 31 December	81,113	25,249

Investments in associates

	2018 RMB'000	2017 RMB'000
At 1 January	1,267,909	444,715
Transfer from investment in a subsidiary	–	85,511
Other additions	289,744	685,773
Share of profits	64,336	22,436
Gain from deemed partial disposal (Note 7(a))	29,950	29,474
Dividend received	(40,000)	–
Transfer to financial assets at fair value through profit or loss	(94,063)	–
At 31 December	1,517,876	1,267,909

11(B) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Investment in associates (continued)

List of principal associates as at 31 December 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 Resort Software Community Group Co., Ltd ("Hainan Software Community")	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB1,600,000,000	20.00%
Shenzhen Huada Beidou Technology Company Limited	PRC, limited liability company	PRC, development and manufacturing of chips	RMB415,000,000	36.14%
China Electronics Corporation Beihai Industry Park Development Co., Ltd	PRC, limited liability company	PRC, property development	RMB200,000,000	30.00%
CLP zhongjin (Xiamen) Intelligent Industry Equity Investment Fund Partnership	PRC, limited liability company	PRC, Limited Partnership	RMB843,600,000	27.48%

In the opinion of the directors, Hainan Software Community is a material associate to the Group. Hainan Software Community is a private company and there is no quoted market price available for its shares. The financial information of Hainan Software Community, 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:

11(B) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Investment in associates (continued)

	As at 31 December 2018 RMB'000	At at 31 December 2017 RMB'000
Identifiable current assets and liabilities assumed		
Assets	**10,706,938**	8,654,225
Liabilities	**(2,707,175)**	(1,800,121)
Identifiable net current assets	**7,999,763**	6,854,104
Identifiable non-current assets and liabilities assumed		
Assets	**1,790,252**	834,035
Liabilities	**(5,303,634)**	(3,271,800)
Identifiable net non-current assets	**(3,513,382)**	(2,437,765)
Identifiable net assets	**4,486,381**	4,416,339
Identifiable net assets attributable to owners of the associate	**4,486,381**	4,416,339
Interest held by the Group	**20%**	20%
Carrying amount	**897,276**	883,268

	2018 RMB'000	2017 RMB'000
Revenue	**702,906**	434,060
Profit after income tax	**262,122**	123,944
Total comprehensive profit	**262,122**	123,944

11(B) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Investment in joint ventures

	2018 RMB'000	2017 RMB'000
At 1 January	**143,431**	168,153
Additions	**364,018**	103,888
Share of profits	**16,777**	2,813
Transfer to a subsidiary	**(16,842)**	–
Dividend received	**(4,903)**	–
Capital deduction	**(29,346)**	–
Disposals	**(283,018)**	(131,423)
At 31 December	**190,117**	143,431

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

12 INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Corporate Income Tax ("CIT")	**133,853**	168,283
LAT	**110,010**	135,585
Total current tax	**243,863**	303,868
Deferred tax (Note 29):		
Origination and reversal of temporary differences	**68,914**	39,947
Income tax expense	**312,777**	343,815

12 INCOME TAX EXPENSE (continued)

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

	2018 RMB'000	2017 RMB'000
Profit before tax	**903,693**	829,502
Tax calculated at domestic statutory tax rate of 25% (Note (i) to (iii))	**225,923**	207,376
Tax effects of:		
– Share of results of associates and joint ventures	**(20,278)**	(6,312)
– Expenses not deductible for tax purposes	**9,493**	36,161
– Adopting prescribed tax calculation method by PRC subsidiaries (Note (iii))	**1,678**	(5,509)
– Tax losses for which no deferred income tax asset was recognised (Note 29)	**13,454**	10,410
LAT in relation to properties sold (Note (iv))	**110,010**	135,585
Tax effects of LAT	**(27,503)**	(33,896)
Income tax expense	**312,777**	343,815

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

(ii) No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax for 2018.

(iii) Effective from 1 January 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified. According to the approvals from the local tax authorities, the assessable profits of certain subsidiaries of the Group were calculated based on 8% to 11% of their respective gross revenues for the year.

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

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares repurchased by the Group (Note 31).

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**541,486**	446,260
Weighted average number of ordinary shares in issue (thousands)	**7,658,774**	7,773,336
Basic earnings per share (RMB cents)	**7.07**	5.74

There were no potential dilutive ordinary shares in 2018 and 2017, diluted earnings per share therefore equals to basic earnings per share.

14 LAND USE RIGHTS

Interests in land use rights for its own use represent the prepaid operating lease payments. The net book value of the land use rights is analysed as follows:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**3,464**	2,207
Addition from acquisition of a subsidiary	**–**	3,520
Amortisation	**(70)**	(56)
Disposal of a subsidiary	**–**	(2,207)
At 31 December	**3,394**	3,464

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machines RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2018						
Opening net book amount	221,127	91,373	8,144	23,254	10,369	354,267
Transfer from construction in progress	10,348	7,903	–	428	(18,679)	–
Transfer from completed properties held for sale	44,560	–	–	–	–	44,560
Additions from acquisition of subsidiaries (Note 6)	–	–	2,687	54,830	–	57,517
Other additions	28,528	2,074	2,052	15,256	21,809	69,719
Transfer to investment properties (Note 16)	(3,283)	–	–	–	–	(3,283)
Depreciation charges (Note 8)	(23,598)	(14,315)	(2,346)	(27,261)	–	(67,520)
Disposal of subsidiaries	–	–	–	(881)	–	(881)
Other disposals	–	–	(213)	(140)	–	(353)
Closing net book amount	277,682	87,035	10,324	65,486	13,499	454,026
At 31 December 2018						
Cost	334,091	149,807	44,297	128,905	13,499	670,599
Accumulated depreciation	(56,409)	(62,772)	(33,973)	(63,419)	–	(216,573)
Net book amount	277,682	87,035	10,324	65,486	13,499	454,026

15 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Machines RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2017						
Opening net book amount	217,481	98,355	6,737	31,321	53,681	407,575
Transfer from construction in progress	1,349	5,455	–	2,830	(9,634)	–
Transfer from completed properties held for sale	12,892	–	–	–	–	12,892
Transfer from investment properties	9,200	–	–	–	–	9,200
Additions from acquisition of subsidiaries	–	1,108	–	306	10,062	11,476
Revaluation of buildings reclassified to investment properties	3,891	–	–	–	–	3,891
Other additions	1,815	1,013	4,202	87	9,085	16,202
Transfer to investment properties (Note 16)	(4,723)	–	–	–	–	(4,723)
Depreciation charges (Note 8)	(9,047)	(13,025)	(2,280)	(9,980)	–	(34,332)
Disposal of a subsidiary	(1,064)	(161)	(515)	(849)	(52,825)	(55,414)
Disposals	(10,667)	(1,372)	–	(461)	–	(12,500)
Closing net book amount	221,127	91,373	8,144	23,254	10,369	354,267
At 31 December 2017						
Cost	253,938	139,830	39,771	59,412	10,369	503,320
Accumulated depreciation	(32,811)	(48,457)	(31,627)	(36,158)	–	(149,053)
Net book amount	221,127	91,373	8,144	23,254	10,369	354,267

15 PROPERTY, PLANT AND EQUIPMENT (continued)

No property, plant and equipment as at 31 December 2018 were pledged for certain bank loans granted to the Group (2017: property, plant and equipment with an aggregate carrying value of RMB7,765,000 were pledged for certain bank loans granted to the Group) (Note 28).

Depreciation charges were included in the following categories in the profit or loss:

	2018 RMB'000	2017 RMB'000
Cost of sales	**44,805**	23,812
Administrative expenses	**19,621**	8,947
Selling and distribution expenses	**3,094**	1,573
	67,520	34,332

16 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
At fair value		
Opening balance at 1 January	**2,317,890**	2,220,540
Transfer from property, plant and equipment		
– Net book value	**3,283**	832
– Revaluation surplus	**19,838**	3,891
Transfer from properties under development and completed properties held for sale	**128,444**	247,525
Other additions	**95,869**	20,028
Fair value changes	**57,411**	246,581
Transfer to property, plant and equipment	**–**	(9,200)
Disposal of subsidiaries	**–**	(381,501)
Other disposals	**(56,675)**	(30,806)
Closing balance at 31 December	**2,566,060**	2,317,890

16 INVESTMENT PROPERTIES (continued)

Amounts recognised in profit and loss for investment properties

	2018 RMB'000	2017 RMB'000
Rental income	129,532	97,555
Direct operating expenses from property that generated rental income	33,272	19,261

As at 31 December 2018, the Group had no contractual obligations for future repairs and maintenance (2017: nil).

Certain bank loans granted to the Group were jointly secured by certain investment properties with an aggregate fair value of RMB299,292,000 (2017: RMB257,394,000) as at 31 December 2018 (Note 28).

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 17 years.

The Group's investment properties were valued at transfer dates and at 31 December 2018 and 2017 by Cushman & Wakefield International properties Advisers ("C&W"), an independent firm of surveyors. During 2018, a total gain of RMB57,411,000 (2017:RMB246,581,000), and deferred tax thereon of RMB14,353,000 (2017: RMB61,645,000), were recognised in the consolidated statement of profit or loss.

As at 31 December 2018, certain investment properties of the Group with carrying value of RMB344,950,000 (2017: RMB1,553,500,000),were without building ownership certificate. The Group was in progress of obtaining the relevant building ownership certificate.

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2018			
Opening net book amount	1,819	4,478	6,297
Additions	–	1,323	1,323
Amortisation charge	–	(1,145)	(1,145)
Closing net book amount	1,819	4,656	6,475
At 31 December 2018			
Cost	1,819	10,387	12,206
Accumulated amortisation and impairment	–	(5,731)	(5,731)
Net book amount	1,819	4,656	6,475

	Goodwill RMB'000	**Software** RMB'000	**Total** RMB'000
Year ended 31 December 2017			
Opening net book amount	–	4,515	4,515
Additions	–	802	802
Goodwill arising from acquisition of a subsidiary	1,819	–	1,819
Amortisation charge	–	(839)	(839)
Closing net book amount	1,819	4,478	6,297
At 31 December 2017			
Cost	1,819	9,064	10,883
Accumulated amortisation and impairment	–	(4,586)	(4,586)
Net book amount	1,819	4,478	6,297

Amortisation of RMB1,145,000 (2017: RMB839,000) is included in the 'administrative expenses' the consolidated statement of profit or loss.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Assets				
At 31 December 2018				
Financial assets at fair value through profit or loss	**–**	**265,627**	**–**	**265,627**
Trade and other receivables excluding prepayments	**1,893,505**	**–**	**–**	**1,893,505**
Deposits in banks with original maturities over three months	**15,637**	**–**	**–**	**15,637**
Restricted cash	**418,883**	**–**	**–**	**418,883**
Cash and cash equivalents	**1,927,200**	**–**	**–**	**1,927,200**
Total	**4,255,225**	**265,627**	**–**	**4,520,852**
Assets				
At 31 December 2017				
Available-for-sale financial assets	–	–	192,000	192,000
Trade and other receivables excluding prepayments	1,755,169	–	–	1,755,169
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
Total	4,269,622	–	192,000	4,461,622

18 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Financial liabilities stated at amortised cost RMB'000
Liabilities	
At 31 December 2018	
Trade and other payables excluding non-financial liabilities	**2,307,158**
Corporate bonds	**1,864,924**
Bank and other borrowings	**2,926,628**
Total	**7,098,710**
Liabilities	
At 31 December 2017	
Trade and other payables excluding non-financial liabilities	1,909,725
Corporate bonds	1,399,148
Bank and other borrowings	2,269,503
Total	5,578,376

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) *Financial assets at fair value through profit or loss*

	2018 RMB'000	2017 RMB'000
At 1 January	**192,000**	–
Additions	**545,921**	–
Transfer from associates	**94,063**	–
Investment income on transfer from an associate	**129,063**	–
Disposals	**(695,420)**	–
At 31 December	**265,627**	–
Less: non-current portion	**(235,127)**	–
Current portion	**30,500**	–

Financial assets at fair value through profit or loss include the following:

	2018 RMB'000	2017 RMB'000
Unlisted securities – PRC	**235,127**	12,000
Wealth management products (i)	**30,500**	180,000
	265,627	192,000

(i) As at 31 December 2018, these wealth management products were issued by banks in the PRC with expected annual return at 2.50%~3.75% (2017: 3.05%~4.03%). The returns on all of these products are not guaranteed, therefore the Group designated them as available-for-sales financial assets. The fair values are determined based on cash flow discounted using the expected return based on management's judgment and are within level 3 of the fair value hierarchy.

None of these financial assets is either past due or impaired.

In the prior financial year, the Group had designated the above investments as available-for-sale financial assets under IAS 39. Note 2.2 explains the change of accounting policy and the reclassification. Note 2.12 sets out the remaining accounting policies.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) *Financial assets previously classified as available-for-sale financial assets (2017)*

	2018 RMB'000	2017 RMB'000
At 1 January	–	16,000
Other additions	–	182,000
Disposal	–	(6,000)
At 31 December	–	192,000
Less: non-current portion	–	(12,000)
Current portion	–	180,000

Available-for-sale financial assets include the following:

	2018 RMB'000	2017 RMB'000
Unlisted securities – PRC	–	12,000
Wealth management products	–	180,000
	–	192,000

20 PROPERTIES UNDER DEVELOPMENT

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Expected to be completed for sale within one year		
Properties under development for sale	**1,217,789**	699,427
Expected to be completed for sale after more than one year		
Properties under development for sale	**1,139,032**	1,269,845
	2,356,821	1,969,272

Properties under development with an aggregate carrying value of RMB24,084,000 (2017: RMB55,465,000) as at 31 December 2018 were pledged for certain bank loans granted to the Group (Note 28).

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
In the PRC, with lease term of 40 years or more	**929,472**	841,667

21 COMPLETED PROPERTIES HELD FOR SALE

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

Completed properties held for sale with an aggregate carrying value of RMB1,109,258,000 (2017: RMB1,119,404,000) as at 31 December 2018 were pledged for certain bank loans granted to the Group (Note 28).

22 INVENTORIES AND CONTRACTING WORKING-IN-PROGRESS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Gross amounts due from customers for contract work	**–**	275,694
Raw materials	**1,090**	1,343
Work in progress	**19,347**	9,813
Finished goods	**52,395**	21,994
	72,832	308,844

23 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2018 RMB'000	2017 RMB'000
Current portion		
Trade receivables (a)	710,986	536,464
Notes receivables	18,124	9,555
Deposits receivable	26,188	189,998
Consideration receivable on disposal of prepayments for acquisition of certain equity interests	–	81,628
Consideration receivable	50,000	50,000
Loans to related parties (Note 38(c))	236,876	165,866
Interest receivables from loans to related parties (Note 38(c))	–	6,423
Other amounts due from related parties (Note 38 (c))	56,606	80,970
Loans to third parties	487,773	308,070
Prepayments for construction cost and raw materials	170,908	100,153
Prepaid turnover tax and other taxes	59,233	31,201
Others	143,866	308,662
Less: allowance provisions	(39,349)	–
	1,921,211	1,868,990
Non-current portion		
Loans to a third party	152,021	–
Prepayments for acquisition of certain properties	67,895	58,300
Trade receivables (a)	11,065	17,533
Prepayments for acquisition of certain equity interests	600	–
	231,581	75,833
Total	2,152,792	1,944,823

23 TRADE AND OTHER RECEIVABLES (continued)

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 month	**311,281**	142,601
1 to 3 months	**66,249**	68,831
3 to 6 months	**116,899**	25,538
Over 6 months	**227,622**	317,027
	722,051	553,997

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

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB29,629,000 for trade receivables and RMB17,874,000 for other receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The loss allowance decreased by a further RMB5,657,000 to RMB23,972,000 for trade receivables and decreased by RMB2,497,000 to RMB15,377,000 for other receivables during the current reporting period.

24 RESTRICTED CASH

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Pledged for:		
– Supervised accounts for construction of pre-sale properties	**223,625**	74,807
– Letter of guarantee	**111,960**	85,073
– Interest-bearing loans deposits	**32,371**	81,843
– Mortgage deposits	**45,613**	61,562
– Commercial acceptance notes	**5,000**	–
– Supervised account for certain equity investments	**–**	5,010
– Others	**314**	333
Total	**418,883**	308,628

25 CASH AND CASH EQUIVALENTS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Cash in hand	**237**	220
Cash at bank	**1,846,006**	2017,944
Other cash deposited in a related party's financial institute (Note 38(c))	**80,957**	115,433
Cash and cash equivalents	**1,927,200**	2,133,597

26 TRADE AND OTHER PAYABLES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Trade creditors and bills payable	**1,385,648**	1,074,880
Receipts in advance	**–**	266,138
Construction guaranteed deposits payable	**82,752**	67,859
Accrued payroll	**61,188**	37,374
Interests payable	**41,758**	5,932
Loans due to a third party	**269,445**	207,669
Loans due to a related party (Note 38)	**40,000**	100,000
Other amounts due to related parties (Note 38)	**63,312**	71,895
Other payables and accruals	**424,243**	381,490
Total	**2,368,346**	2,213,237

As at 31 December 2018, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 month	**979,170**	513,531
1 to 12 months	**181,231**	154,698
Over 12 months	**225,247**	406,651
	1,385,648	1,074,880

27 CORPORATE BONDS

	2018 RMB'000	2017 RMB'000
As at 1 January	**1,399,148**	576,923
Net proceeds from bonds issued	**440,000**	792,445
Interest expenses	**120,916**	73,880
Coupon interest paid	**(95,140)**	(44,100)
As at 31 December	**1,864,924**	1,399,148
Representing:		
Current portion	**1,069,185**	26,368
Non-current portion	**795,739**	1,372,780
	1,864,924	1,399,148

In October 2013, the Group issued a long-term corporate bond with maturity of 6 years with face value of RMB600,000,000 bearing annual interest rate of 7.35%. The actual proceed received by the Group was approximately RMB543,527,000. This bond is denominated in RMB and issued at par. Interest is payable yearly while principal will be repaid when the bond falls due. The annual effective interest rate of this bond is 9.48%. As at 31 December 2018, interest payable for this bond amounted to approximately RMB7,350,000 (2017: RMB7,350,000).

In August 2017, the Group issued medium-term notes with maturity of 3 years with face value of RMB 800,000,000 bearing annual interest rate of 6.38%. The actual proceed received by the Group was approximately RMB792,445,000. This note is denominated in RMB and issued at par. Interest was payable yearly while principal was repaid when the notes fell due. The annual effective interest rates of this note is 6.74%. As at 31 December 2018, interest payable for this note amounted to approximately RMB19,018,000 (2017: RMB19,018,000).

In July 2018, the Group issued short-term notes with maturity of 270 days with face value of RMB 440,000,000 bearing annual interest rate of 6.5%. The actual proceed received by the Group was approximately RMB439,250,000. This note is denominated in RMB and issued at par. Interest was payable yearly while principal was repaid when the notes fell due. The annual effective interest rates of this note is 6.62%. As at 31 December 2018, interest payable for this note amounted to approximately RMB12,537,000.

The fair value of corporate bond approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.62%~9.48% (2017: 6.74%~9.48%) and are within level 2 of the fair value hierarchy.

28 BANK AND OTHER BORROWINGS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current		
Secured		
– Bank borrowings	**350,000**	250,000
– Current portion of non-current bank borrowings	**536,760**	422,880
	886,760	672,880
Unsecured		
– Bank borrowings	**929,500**	685,000
– Current portion of non-current bank borrowings	**61,825**	–
	991,325	685,000
	1,878,085	1,357,880

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current		
Secured		
– Bank borrowings	**1,184,760**	1,012,820
Less: Current portion of non-current bank borrowings	**(536,760)**	(422,880)
	648,000	589,940
Unsecured		
– Bank borrowings	**462,368**	321,683
Less: Current portion of non-current bank borrowings	**(61,825)**	–
	400,543	321,683
	1,048,543	911,623

28 BANK AND OTHER BORROWINGS (continued)

Movements in borrowings are analysed as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Opening amount	**2,269,503**	2,653,000
Proceeds from borrowings	**2,554,380**	1,959,683
Repayments of borrowings	**(1,907,940)**	(2,191,736)
Disposal of a subsidiary	**–**	(150,000)
Exchange differences	**10,685**	(1,444)
Closing amount	**2,926,628**	2,269,503

The bank and other borrowings bear interest ranging from 2.15% to 6.90% per annum for year ended 31 December 2018 (2017: from 2.15% to 6.90%).

The Group's borrowings were repayable as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year or on demand	**1,878,085**	1,357,880
After 1 year but within 2 years	**631,216**	486,490
After 2 years but within 5 years	**409,598**	402,859
After 5 years	**7,729**	22,274
	2,926,628	2,269,503

28 BANK AND OTHER BORROWINGS (continued)

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Completed properties held for sale (Note 21)	**1,109,258**	1,199,404
Properties under development (Note 20)	**24,084**	55,465
Investment properties (Note 16)	**299,292**	257,394
Restricted cash (Note 24)	**32,371**	81,843
Property, plant and equipment (Note 15)	**–**	7,765
	1,465,005	1,601,871

The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.36% (2017: 5.34%) and are within level 2 of the fair value hierarchy.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**2,694,260**	2,047,820
HK$	**232,368**	221,683
	2,926,628	2,269,503

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, none of the covenants relating to drawn down facilities had been breached (2017: nil).

29 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	At 31 December	
	2018 RMB'000	2017 RMB'000
Before offsetting		
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	7,754	9,318
– Deferred tax assets to be recovered within 12 months	97,588	76,049
	105,342	85,367
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	(374,580)	(317,036)
– Deferred tax assets to be recovered within 12 months	(25,693)	–
	(400,273)	(317,036)
After offsetting		
Deferred tax assets	–	–
Deferred tax liabilities	(294,931)	(231,669)

The gross movement on the deferred income tax account is as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	(231,669)	(194,605)
Change in accounting policies (Note 2.2)	9,855	–
Charge to statement of profit or loss (Note 12)	(68,914)	(39,947)
Tax charge relating to components of other comprehensive income	(4,959)	(972)
Disposal of subsidiaries	756	3,855
At 31 December	(294,931)	(231,669)

29 DEFERRED INCOME TAX (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences arising from LAT provision	Unused tax losses	Unrealised profit resulting from inter-group transactions	Allowance on doubtful debts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	3,835	28,120	24,513	–	19,906	76,374
Disposal of a subsidiary	–	(8,858)	–	–	(6,899)	(15,757)
Recognised in profit or loss	31,280	(2,304)	(537)	–	(3,689)	24,750
At 31 December 2017	35,115	16,958	23,976	–	9,318	85,367
Change in accounting policy (Note 2.2)	**–**	**–**	**–**	**13,065**	**–**	**13,065**
Disposal of subsidiaries	**(700)**	**–**	**–**	**–**	**–**	**(700)**
Recognised in profit or loss	**7,821**	**1,194**	**(3,352)**	**1,898**	**49**	**7,610**
At 31 December 2018	**42,236**	**18,152**	**20,624**	**14,963**	**9,367**	**105,342**

29 DEFERRED INCOME TAX (continued)

Deferred income tax assets (continued)

Note: In assessing the realisability of deferred tax assets in respect of the Group's subsidiaries which suffered tax losses in current or preceding period, management considers the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB18,152,000,(2017: RMB16,958,000) as at 31 December 2018 as the Group estimates that these subsidiaries have properties development projects which are probable to generate sufficient future taxable profits to support their utilisation.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB33,989,000 (2017: RMB20,788,000) in respect of losses amounting to RMB135,957,000 (2017: RMB83,151,000) that can be carried forward against future taxable income.

The unrecognised tax losses will expire in the following years:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
2018	**–**	1,010
2019	**796**	796
2020	**8,580**	8,580
2021	**31,125**	31,125
2022	**41,640**	41,640
2023	**53,816**	–
	135,957	83,151

29 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities

	Revaluation of investment properties RMB'000	Revaluation arising from business combination RMB'000	Recognition of revenue over time RMB'000	Revaluation of financial assets at fair value through profit of loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	(254,435)	(16,544)	–	–	–	(270,979)
Disposal of a subsidiary	19,612	–	–	–	–	19,612
Recognised in profit or loss	(61,858)	4,529	–	–	(7,368)	(64,697)
Recognised in other comprehensive income	(972)	–	–	–	–	(972)
At 31 December 2017	(297,653)	(12,015)	–	–	(7,368)	(317,036)
Change in accounting policy (Note 2.2)	**–**	**–**	**(3,210)**	**–**	**–**	**(3,210)**
Disposal of subsidiaries	**498**	**958**	**–**	**–**	**–**	**1,456**
Recognised in profit or loss	**(14,831)**	**1,377**	**(22,483)**	**(40,463)**	**(124)**	**(76,524)**
Recognised in other comprehensive income	**(4,959)**	**–**	**–**	**–**	**–**	**(4,959)**
At 31 December 2018	**(316,945)**	**(9,680)**	**(25,693)**	**(40,463)**	**(7,492)**	**(400,273)**

29 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities (continued)

Certain owner-occupied buildings were transferred to investment properties (see Note 16) in 2018 and 2017. The Group remeasured the properties to fair value and recognised a revaluation gain of RMB19,838,000 (2017: RMB3,889,000) and related tax RMB4,959,000 (2017: RMB972,000) in other comprehensive income.

At 31 December 2018, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB1,641,585,000 (2017: RMB1,028,309,000). Deferred tax liabilities of RMB82,079,000 (2017: RMB51,415,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

30 DEFERRED INCOME

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Service fees received in advance	**47,061**	55,646
Less: Amount included under current liabilities	**(4,706)**	(5,565)
Amount included under non-current liabilities	**42,355**	50,081

The deferred income primarily represents the prepaid service fees from customers for energy supply service in the industrial parks.

31 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 during the year ended 31 December 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 31 December 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 purpose (a)	–	–	(54,828)	–	–	(189,695)
Shares cancelled (a)	(95,112)	(7,877)	44,880	(286,676)	(23,964)	177,331
At the end of the year	7,618,212	626,839	(132,417)	7,713,324	634,716	(122,469)

(a) During the year ended 31 December 2018, the Company repurchased a total of 113,704,000 shares at a total consideration of HK$64,777,420 (equivalent to RMB54,828,000) for cancellation purpose, out of which 13,244,000 shares, 57,708,000 shares and 24,160,000 shares were cancelled on 10 January 2018, 29 May 2018 and 19 July 2018 respectively. The excess of repurchasing consideration over the nominal amount of the canceled shares, amounting to RMB37,003,000, were deducted from share premium account.

32 RESERVES

	Share premium RMB'000	Exchange reserve RMB'000	Property Revaluation reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2018	**2,200,925**	**212,805**	**34,894**	**339,189**	**602,889**	**3,390,702**
Appropriation from retained earnings	**–**	**–**	**–**	**45,699**	**–**	**45,699**
Currency translation differences	**–**	**(177,136)**	**–**	**–**	**–**	**(177,136)**
Revaluation of property, plant and equipment upon transfer from investment property (Note 29)	**–**	**–**	**14,878**	**–**	**–**	**14,878**
Dividends paid (Note 34)	**(129,370)**	**–**	**–**	**–**	**–**	**(129,370)**
Cancellation of shares (Note 31(a))	**(37,003)**	**–**	**–**	**–**	**–**	**(37,003)**
Transaction with non-controlling interests (c)	**–**	**–**	**–**	**–**	**(53,074)**	**(53,074)**
Disposal of certain subsidiaries	**–**	**–**	**–**	**(432)**	**(2,836)**	**(3,268)**
Balance at 31 December 2018	**2,034,552**	**35,669**	**49,772**	**384,456**	**546,979**	**3,051,428**
Balance at 1 January 2017	2,497,414	35,941	31,976	299,616	583,955	3,448,902
Appropriation from retained earnings	–	–	–	39,573	–	39,573
Currency translation differences	–	176,864	–	–	–	176,864
Revaluation of property, plant and equipment upon transfer from investment property	–	–	2,918	–	–	2,918
Dividends paid (Note 34)	(143,122)	–	–	–	–	(143,122)
Cancellation of shares	(153,367)	–	–	–	–	(153,367)
Transactions with non-controlling interests	–	–	–	–	18,934	18,934
Balance at 31 December 2017	2,200,925	212,805	34,894	339,189	602,889	3,390,702

32 RESERVES (continued)

(a) PRC statutory reserve

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation

(b) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2.7.

(c) Other reserves

Other reserves are resulted from transactions with owners in their capacity as equity holders. The balances comprise capital reserve surplus/deficit arising from difference between disposal/acquisition consideration and its net assets at the respective date of disposal/acquisition.

Transaction with non-controlling interests during the year ended 31 December 2018 was:

The Group previously held 60% equity interests in CEC Wenzhou Industrial Park, a partially owned subsidiary. In August 2018, the Group acquired further 35% of the equity interests in CEC Wenzhou Industrial Park from a non-controlling shareholder for a consideration of RMB233.50 million. The excess of the consideration over the carrying amount of the 35% equity interests in CEC Wenzhou Industrial Park, amounting to RMB53,074,000, was credited to capital reserves.

33 RETAINED EARNINGS

	2018 RMB'000	2017 RMB'000
At 1 January	**2,100,562**	1,693,875
Changes in accounting policies (Note 2.2)	**(39,812)**	–
Profit for the year	**541,486**	446,260
Transfer to statutory reserve	**(45,699)**	(39,573)
At 31 December	**2,556,537**	2,100,562

34 DIVIDENDS

The dividends paid in 2018 and 2017 were RMB129,370,000 (HK$2.00 cents per share) and RMB143,122,000 (HK$2.00 cents per share) respectively. The Board has resolved on 21 March 2019 to recommend for declaration and payment of a final dividend of HK$2.50 cent per share (equivalent to RMB2.13 cent per share), amounting to a total dividend of HK$189,359,000(equivalent to RMB161,275,000), out of the share premium account of the Company. These financial statements do not reflect this dividend payable.

	2018 RMB'000	2017 RMB'000
Proposed final dividend of HK$2.50 cents (2017: HK$2.00 cents) per ordinary share	**161,275**	129,370

35 CASH FLOW INFORMATION

(a) Cash generated from operations

	2018 RMB'000	2017 RMB'000
Profit before income tax	**903,693**	829,502
Adjustments for:		
Depreciation (Note 8)	**67,520**	34,332
Amortisation (Note 8)	**1,215**	895
Gain on disposals of investment properties (Note 7)	**(46,745)**	(22,761)
Gains from deemed partially disposal (Note 7)	**(29,950)**	(29,474)
Gains on disposals of property, plant and equipment (Note 7)	**(458)**	(7,253)
Finance income (Note 10)	**(67,680)**	(50,187)
Finance costs (Note 10)	**177,669**	119,610
Loss on disposal of subsidiaries (Note 7)	**12,658**	8,118
Loss on disposal of a joint venture	**–**	91,423
Fair value gains on investment properties (Note 16)	**(57,411)**	(246,581)
Gain on transfer an associate to financial assets at fair value through profit or loss	**(129,063)**	–
Net impairment losses on financial and contract assets	**3,480**	–
Share of profits of associates (Note 11(b))	**(64,336)**	(22,436)
Share of profits of joint ventures (Note 11(b))	**(16,777)**	(2,813)
Changes in working capital (excluding the effects of acquisition and currency translation differences on subsidiaries):		
Increase in restricted cash	**(148,818)**	(7,705)
Increase in properties under development, completed properties held for sale and inventories and contracting work-in-progress	**(312,668)**	(184,079)
Increase in contract assets and trade and other receivables	**(845,186)**	(59,191)
Increase in contract liabilities, deferred income and trade and other payables	**397,287**	106,849
Cash (uses in)/generated from operations	**(155,570)**	558,249

35 CASH FLOW INFORMATION (continued)

(b) Non-cash investing and financing activities

	2018 RMB'000	2017 RMB'000
Capitalisation of a receivable from Hanan Software Community	–	400,000

(c) Net debt reconciliation

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	1,927,200	2,133,597
Restricted cash	195,258	228,811
Loans due to a third party	(269,445)	(207,669)
Loans due to a related party	(40,000)	(100,000)
Interests payable	(41,758)	(5,932)
Corporate bonds	(1,864,924)	(1,399,148)
Bank and other borrowings	(2,926,628)	(2,269,503)
Net debt	(3,020,297)	(1,619,844)
Cash and cash equivalents and restricted cash	2,122,458	2,362,408
Gross debt – fixed interest rates	(3,419,627)	(2,744,749)
Gross debt – variable interest rates	(1,723,128)	(1,237,503)
Net debt	(3,020,297)	(1,619,844)

35 CASH FLOW INFORMATION (continued)

(c) Net debt reconciliation (continued)

	Other assets		Liabilities from financing activities					
	Cash and cash equivalents	Restricted cash	Loans due to a related party	Loans due to a third party	Interests payable	Corporate bonds	Bank and other borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2017	1,812,583	141,802	–	–	–	(576,923)	(2,653,000)	(1,275,538)
Cash flows	352,877	87,009	(100,000)	(207,669)	187,631	(792,445)	232,053	(240,544)
Foreign exchanges adjustments	(31,863)	–	–	–	–	–	1,444	(30,419)
Losing control of a subsidiary	–	–	–	–	–	–	150,000	150,000
Others	–	–	–	–	(193,563)	(29,780)	–	(223,343)
Net debt as at 31 December 2017	**2,133,597**	**228,811**	**(100,000)**	**(207,669)**	**(5,932)**	**(1,399,148)**	**(2,269,503)**	**(1,619,844)**
Cash flows	**(225,058)**	**(33,553)**	**60,000**	**(61,776)**	**218,424**	**(440,000)**	**(646,440)**	**(1,128,403)**
Foreign exchanges adjustments	**18,661**	**–**	**–**	**–**	**–**	**–**	**(10,685)**	**7,976**
Others	**–**	**–**	**–**	**–**	**(254,250)**	**(25,776)**	**–**	**(280,026)**
Net debt as at 31 December 2018	**1,927,200**	**195,258**	**(40,000)**	**(269,445)**	**(41,758)**	**(1,864,924)**	**(2,926,628)**	**(3,020,297)**

36 CONTINGENCIES

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 or 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 31 December	
	2018	2017
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**292,448**	770,591

The directors consider that Group does not sustain a significant 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.

37 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted but not provided for mainly represents properties development at the end of the year but not yet incurred is as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Contracted but not provided for		
– Properties development expenditure	**911,053**	1,310,239

(b) Operating lease commitments – Group as lessor

The Group leases out a number of building facilities under non-cancellable operating lease agreements. The lease terms are between 1 and 16 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**162,074**	91,582
Later than 1 year and no later than 5 years	**284,656**	193,895
Later than 5 years	**88,116**	74,520
	534,846	359,997

37 COMMITMENTS (continued)

(c) Operating lease commitments – Group as lessee

The Group leases a number of building facilities under non-cancellable operating lease agreements. The lease terms are between 1 and 19 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**36,755**	27,244
Later than 1 year and no later than 5 years	**155,015**	122,188
Later than 5 years	**196,855**	186,430
	388,625	335,862

38 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:

	2018	2017
	RMB'000	RMB'000
Wages, salaries and other benefits	**27,451**	25,187
Retirement scheme contributions	**266**	266
	27,717	25,453

The above remuneration to key management personnel is included in "staff costs" (Note 9(b)).

38 RELATED PARTY TRANSACTIONS (continued)

(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.

	2018 RMB'000	2017 RMB'000
(i) Joint ventures		
Construction contract revenue	6,256	–
Industrial park operation services	–	712
	6,256	712
(ii) Associates		
Construction contract revenue	–	2,549
Industrial park leasing services	1,343	–
Industrial park operation services	3,988	184
Payment of salary	820	1,925
Loans provided by associates	20,500	–
Loans provided to associates	240,100	–
Interest income	17,602	26,335
Interest expense	1,775	4,064
	286,128	35,057
(iii) Major shareholders		
Cash deposited in major shareholder's financial institution	200,907	115,433
Industrial park operation services	43	34
Interest income	24	647
Sales of properties	–	46,197
Operating lease payment	2,172	–
	203,146	162,311

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

38 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
(i) Joint ventures		
Loans receivable	**52,812**	31,750
Other amounts receivable	**836**	1,442
Interests receivable	**–**	259
Trade and other payables	**–**	25,519
(ii) Associates		
Loans receivable	**184,064**	134,116
Loans payable	**40,000**	100,000
Other amounts receivables	**52,480**	59,858
Interests receivable	**–**	6,164
Other amounts payable	**21,191**	599
(iii) Major shareholder		
Cash deposited in major shareholder's financial institution	**80,957**	115,433
Other amounts receivable	**3,290**	19,670
Other amounts payable	**42,121**	45,777

39 EVENTS AFTER THE REPORTING PERIOD

(a) The Company further repurchased its issued shares of 12,024,000 in January 2019, while 43,860,000 treasury shares were cancelled by the Company on 24 January 2019.

(b) Please refer to Note 34 for the final dividend recommended by the directors, which is expected to be paid on or before 5 July 2019.

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	At 31 December 2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**13**	24
Investments in subsidiaries		**3,322,353**	3,193,680
Loans to a third party		**152,021**	–
		3,474,387	3,193,704
Current assets			
Cash and cash equivalents		**52,585**	274,866
Deposits in banks with original maturities over three months		**–**	41,796
Other receivables		**280,149**	267,268
		332,734	583,930
Current liabilities			
Payables to a subsidiary		**681,099**	606,456
Net current liabilities		**(348,365)**	(22,526)
Total assets less current liabilities		**3,126,022**	3,171,178
Non-current liabilities			
Bank borrowings		**232,368**	221,683
Net assets		**2,893,654**	2,949,495
Equity			
Capital and reserves			
Share capital	31	**626,839**	634,716
Treasury shares	31	**(132,417)**	(122,469)
Reserves	(a)	**2,457,511**	2,479,774
Accumulated losses	(b)	**(58,279)**	(42,526)
Total equity		**2,893,654**	2,949,495

The balance sheet of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf:

Huang Liping
Director

Hu Bin
Director

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note:

(a) Reserve movement of the Company

	Share premium RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2018	**2,200,925**	**278,849**	**2,479,774**
Currency translation differences	**–**	**144,110**	**144,110**
Dividends paid	**(129,370)**	**–**	**(129,370)**
Cancellation of shares	**(37,003)**	**–**	**(37,003)**
Balance at 31 December 2018	**2,034,552**	**422,959**	**2,457,511**
Balance at 1 January 2017	2,497,414	506,432	3,003,846
Currency translation differences	–	(227,583)	(227,583)
Dividends paid	(143,122)	–	(143,122)
Cancellation of shares	(153,367)	–	(153,367)
Balance at 31 December 2017	2,200,925	278,849	2,479,774

(b) Accumulated losses movement of the Company

	2018 RMB'000	2017 RMB'000
At 1 January	**(42,979)**	(24,912)
Losses for the year	**(15,300)**	(17,614)
At 31 December	**(58,279)**	(42,526)

41 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive's emoluments

For the year ended 31 December 2018:

Name	Fees RMB'000	Salaries, allowances and warefare benefits RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Chairman and chief executive:					
Huang Liping	–	537	1,462	21	2,020
Executive directors:					
Hu Bin	–	537	2,283	21	2,841
Non-executive directors:					
Sun Ying (Note a (ii))	–	–	–	–	–
Lu Jun (Note a(i))	–	–	–	–	–
Zhang Jie	–	–	–	–	–
Wang Qiuju	–	–	–	–	–
Xiang Qunxiong	–	–	–	–	–
Independent non-executive directors:					
Qi Min	–	200	–	–	200
Leung Man Kit	–	263	–	–	263
Zhang Shuqin	–	200	–	–	200
Total	–	1,737	3,745	42	5,524

41 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) *Directors and chief executive's emoluments (continued)*

For the year ended 31 December 2017:

Name	Fees RMB'000	Salaries, allowances and warefare benefits RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Chairman and chief executive:					
Huang Liping	–	513	1,364	21	1,898
Executive directors:					
Hu Bin	–	513	2,333	21	2,867
Non-executive directors:					
Lu Jun	–	–	–	–	–
Zhang Jie	–	–	–	–	–
Wang Qiuju	–	–	–	–	–
Xiang Qunxiong	–	–	–	–	–
Independent non-executive directors:					
Qi Min	–	200	–	–	200
Leung Man Kit	–	251	–	–	251
Zhang Shuqin	–	200	–	–	200
Total	–	1,677	3,697	42	5,416

Notes:

(i) Resigned on 22 March 2018.
(ii) Appointed on 22 March 2018.

41 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) *Directors and chief executive's emoluments (continued)*

No emoluments was paid or receivable in respect of directors' other services in connection with the management of the Company or its subsidiaries undertaking during the year.

During the years ended 31 December 2018 and 2017, no director waived any emoluments. Neither incentive payment for joining the Group nor compensation for loss of office was paid or payable to any directors during the years ended 31 December 2018 and 2017.

(b) *Directors' retirement benefits*

No retirement benefits was paid to or receivable by directors during the year by defined benefit pension plans operated by the Group.

(c) *Directors' termination benefits*

No director's termination benefit subsisted at the end of the year or at any time during the year.

(d) *Consideration provided to third parties for making available directors' services*

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time during the year.

(e) *Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(f) *Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the ends of the year or at any time during the year.

Definitions

"Latest Practicable Date"	12 April 2019, being the latest practicable date prior to the printing of this report for ascertaining certain information in this report
"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
"Articles of Association"	the amended and restated articles of association of the Company
"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 state-owned company established under the laws of the PRC and the ultimate controlling shareholder of CE Huada Technology
"CEC Energy Conservation"	Wuhan CEC Energy Conservation Co., Ltd.* (武漢中電節能有限公司), a limited liability company incorporated in the PRC on 26 July 2010 and a 78.79% owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
"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
"CE Huada Technology"	China Electronics Huada Technology Company Limited (中國電子華大科技有限公司), formerly known as 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 CE Huada Technology
"China Electronics International Information Service"	China Electronics International Information Service Co., Ltd* (中國中電國際信息服務有限公司), a limited liability company incorporated in the PRC on 24 May 1985 and a 100% owned subsidiary of CEC* (中國電子有限公司)

"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", "our" or "CEOVU"	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
"Easylinkin Technology"	Wuhan Easylinkin Technology Co., Ltd.* (武漢慧聯無限科投有限公司), a limited liability company incorporated in the PRC on 15 October 2013 and a 21.21% owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
"Financial Control Committee"	the financial control committee of the Company
"Group"	the Company and its subsidiaries
"Hefei OVU Development"	Hefei Optics Valley Union Development Co., Ltd.* (合肥光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 13 September 2013 and a wholly-owned subsidiary of Wuhan Optics Valley Union
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huada Beidou"	Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司), a limited liability company incorporated in the PRC on 26 January 2016 and a 36.14% owned subsidiary of China Electronics Optics Valley (Shenzhen) Industrial Development Co., Ltd. *(中電光谷(深圳)產業發展有限公司), and an indirect subsidiary of the Company
"Huangshi OVU"	Huangshi Optics Valley Union Development Co., Ltd.* (黃石光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 24 January 2005 and a wholly-owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
"Hubei Huisheng"	Hubei Huisheng Technology Development Co., Ltd.* (湖北匯盛科技發展有限公司), a limited liability company incorporated in the PRC on 8 December2005 and a wholly-owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company

"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
"Lido BVI"	Lido 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
"Lingdu Capital"	Wuhan Lingdu Capital Investment Co., Ltd* (武漢零度資本投資管理有限公司), a limited liability company incorporated in the PRC on 22 May 2015 and a 45% owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"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
"OV Financial Harbour Development"	Wuhan Optics Valley Financial Harbour Development Co., Ltd.* (武漢光谷金融港發展有限公司), a limited liability company incorporated in the PRC on 24 July 2008 and a wholly-owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
"OVU Technology"	Wuhan OVU Technology Co., Ltd* (武漢歐微優科技有限公司), a limited liability company incorporated in the PRC on 12 June 2012 and a 45% owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
"Qingdao OVU"	Qingdao Optics Valley Union Development Co., Ltd.,* (青島光谷聯合發展有限公司) , a limited liability company incorporated in the PRC on 1 September 2011 and a wholly-owned subsidiary of Wuhan OVU, 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 12-month period from 1 January 2018 to 31 December 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
"Shenyang OVU"	Shenyang Optics Valley Union Development Co., Ltd.* (瀋陽光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 29 May 2012 and a 95.0% owned subsidiary of Wuhan OVU, and an indirect subsidiary 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 East Lake High Technology"	Wuhan East Lake High Technology Group Co., Ltd.* (武漢東湖高新集團股份有限公司), a limited liability company incorporated in the PRC on 12 January 1993 and listed on the Shanghai Stock Exchange (stock code: 600133) and a connected person of the Company
"Wuhan Financial Harbour Development"	Wuhan Financial Harbour Developmen Co., Ltd.* (武漢金融港開發有限公司), a limited liability company incorporated in the PRC on 5 December 2011 and a wholly-owned subsidiary of Hubei Science & Technology Investment
"Wuhan Lido Property Management"	Wuhan Lido Property Management Co., Ltd.* (武漢麗島物業管理有限公司), a limited liability company incorporated in the PRC on 19 July 2000 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary 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 an indirect subsidiary of the Company
"Wuhan Mason"	Wuhan Mason Co., Ltd.* (武漢美生置業有限公司), formerly known as Mason (Wuhan) Co., Ltd., a limited liability company incorporated in the PRC on 11 January 2007 and a wholly-owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company

"Wuhan Minghong"	Wuhan Minghong Technology Development Co., Ltd.*(武漢鳴鴻科技發展有限公司), a limited liability company incorporated in the PRC on 8 February 2001 and a wholly-owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
"Wuhan 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 OVU, and an indirect subsidiary of the Company
"Wuhan OVU"	Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司, formerly known as 武漢光谷聯合股份有限公司), a limited liability company incorporated in the PRC 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
"Wuhan Xuefu"	Wuhan Xuefu Property Co., Ltd.* (武漢學府房地產有限公司), a limited liability company incorporated in the PRC on 29 April 1999 and a 51.0% owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company, deregistered on 13 March 2018

In this annual 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.

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