



中电光谷

CEC OPTICS VALLEY

中電光谷聯合控股有限公司

China Electronics Optics Valley Union Holding Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 798



INTERIM
REPORT | 2020



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Corporate Information

COMPANY NAME

China Electronics Optics Valley Union Holding Company Limited

AUTHORIZED REPRESENTATIVES

Mr. Huang Liping
Ms. Zhang Xuelian

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

AUDIT COMMITTEE

Mr. Qiu Hongsheng (*appointed as a member on 10 March 2020 and the chairman on 8 May 2020*)
Mr. Qi Min
Ms. Wang Qiuju
Mr. Leung Man Kit
(*ceased to be the chairman and a member on 8 May 2020*)

STOCK CODE

798

STOCK NAME

CEOVU

REMUNERATION COMMITTEE

Ms. Chan Ching Har Eliza
(*appointed as the chairman on 8 May 2020*)
Mr. Qi Min
(*re-designated from the chairman to a member on 8 May 2020*)
Mr. Hu Bin
Ms. Zhang Shuqin
(*ceased to be a member on 10 March 2020*)
Mr. Leung Man Kit
(*ceased to be a member on 8 May 2020*)

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Liping (*re-designated from the Chairman to Co-chairman on 8 May 2020, and President*)
Mr. Xie Qinghua (*Co-chairman*) (*appointed on 8 May 2020*)
Mr. Hu Bin (*Executive President*)

Non-executive Directors

Ms. Wang Qiuju
Mr. Xiang Qunxiong (*resigned on 8 May 2020*)
Mr. Zhang Jie
Ms. Sun Ying

Independent Non-executive Directors

Mr. Qi Min
Mr. Leung Man Kit (*resigned on 8 May 2020*)
Mr. Qiu Hongsheng (*appointed on 10 March 2020*)
Ms. Zhang Shuqin (*resigned on 10 March 2020*)
Ms. Chan Ching Har Eliza (*appointed on 8 May 2020*)

NOMINATION COMMITTEE

Mr. Huang Liping (*Chairman*)
Mr. Qi Min
Ms. Zhang Shuqin
(*ceased to be a member on 10 March 2020*)
Mr. Qiu Hongsheng
(*appointed as a member on 10 March 2020*)

COMPANY SECRETARY

Ms. Zhang Xuelian

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building No. 1, Higher Level
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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Central, Hong Kong

LEGAL ADVISORS

as to Hong Kong law
Reed Smith Richards Butler
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18 Westlands Road
Quarry Bay, Hong Kong

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited (formerly known as 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
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183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China
Bank of Communications
Industrial Bank

COMPANY WEBSITE

<http://www.ceovu.com/>

Financial Summary

The summary of the unaudited results and assets and liabilities of the Group for the six months ended 30 June 2020 is as follows:

	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change %
Results			
Revenue from continuing operations	923,241	1,143,047	-19.23%
Gross profit	242,001	380,205	-36.35%
Profit before income tax	168,371	220,019	-23.47%
Profit attributable to owners of the Company	120,104	141,209	-14.95%
Profit attributable to non-controlling interests	(17,150)	(22,668)	-24.34%
Profit for the period	102,954	118,541	-13.15%

	At		
	30 June 2020 RMB'000	31 December 2019 RMB'000	Change %
Assets and liabilities			
Non-current assets	6,847,072	6,388,670	7.18%
Current assets	11,386,137	11,226,836	1.42%
Current liabilities	8,348,661	7,438,297	12.24%
Net current assets	3,037,476	3,788,539	-19.82%
Total assets less current liabilities	9,884,548	10,177,209	-2.88%
Total equity	7,573,153	7,592,291	-0.25%
Non-current liabilities	2,311,395	2,584,918	-10.58%
Total equity and non-current liabilities	9,884,548	10,177,209	-2.88%

In the first half of 2020, the sudden outbreak of the novel coronavirus epidemic has brought a significant impact on China's and global economic development. Meanwhile, the rapidly-growing uncertainty on development caused by trade protectionism or other factors has cast a shadow over the economic recovery. From a domestic perspective, with the effective prevention and control of the epidemic, as well as the resumption of work and production of a majority of companies in China, the economy has shown a trend of recovery and stabilization. However, we are still facing the increasing pressure of economic downturn caused by the international spread of the epidemic.

While the novel coronavirus epidemic is causing economic shocks, it also brings opportunities for a new economic order and reformation. For the industrial parks, both development model and structure of industrial parks will also undergo major changes. The focus of value will soon shift to those enterprises which are more adaptable to the environment, with strong digital capacity and industrial resource integration capacity. At this special moment, focusing on "One Platform, Two Methodologies", the core of our corporate strategy and the value foundation for sustainable growth, CEOVU takes full advantage of our industry resource integration capabilities, seizes the opportunity of digital upgrade, promotes high-quality operation of the industrial park and space services, and works hard to reduce the impact of the novel coronavirus epidemic on our business performance.

Firstly, the Group will continue to strengthen the construction of industrial resource sharing platform and adopt digital transformation as the basic method to achieve high-quality development of industrial parks, which will empower the concentration of industrial resources and the efficiency of industrial organization. During the Reporting Period, the Group made continuous iterative upgrades to OVU Park Pass, an integrated operation service platform for industrial parks that went online in December 2019, to provide services including epidemic prevention and control, massive open on-line courses, intelligent back-up, digital administration, red park, technology and cultural creation, and innovation ecology to the enterprises in the park. In April, we have also launched an online platform, namely Merchants Connect, which fully listed 40 projects of various industrial theme parks developed and operated by CEOVU in over 30 cities across China. This forms a systematic industrial service pattern, which is based on digital empowerment integrated with the advantageous operation capability and the characterized flexible combination.

Secondly, the Group constantly optimized the capacity and level of our consultation and management services to achieve a better user experience. During the Reporting Period, the Group set up a special group to compile the "Summary of Industrial Upgrades and New Economic Planning under the Framework of the 'Fourteenth Five-Year' Plan" (《「十四五」規劃框架下產業升級與新經濟規劃要覽》) centring on the "Fourteenth Five-Year" Plan during the epidemic when it was unable to resume work. The summary provided the Group with specific guidance to accurately grasp the national strategic objectives, and the basic framework and ideology of the "Fourteenth Five-Year" Plan for certain important industries when the Group is getting started with its consultation and planning business.

Thirdly, CEOVU remained mindful of its responsibility, joined hands to fight the virus and tided over the difficult times. At the height of the epidemic, more than 3,000 employees were engaged in equipment maintenance and property services, and catering services. They possessed the sense of shared fate with the city and have been fighting at the front line in face the epidemic and serving the city with perseverance. After the resumption of work and production, to help small and medium-sized enterprises in the parks to get through difficult times, we reduced or waived the property rents and service fees for enterprises located at the Han Industrial Park in a total of more than RMB30 million.

The novel coronavirus epidemic is still spreading. While fighting the epidemic, the Group adheres to the goal of restoring and improving performance and facilitating digital construction, and is determined to be the builder of industrial ecological innovation, the promoter of industrial upgrading, the operator of industrial resource sharing platform and the seeker of sustainable growth of enterprises so as to maintain competitiveness in the market and achieve sustainable growth.

ACKNOWLEDGEMENTS

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

Huang Liping Xie Qinghua
Co-chairman

Wuhan, the PRC, 21 August 2020

REVIEW OF FINANCIAL INFORMATION

The independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2020 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

HIGHLIGHTS OF THE FIRST HALF OF 2020

For the six months ended 30 June 2020, the Group achieved an income of RMB923.2 million, representing a decrease of 19.2% as compared to the same period in 2019. The Group achieved a profit attributable to owners of the Company of RMB120.1 million, representing a decrease of 14.9% as compared to the same period in 2019, mainly attributable to the voluntary reduction or exception of rent and management fee for certain enterprises in the park due to the impact of the novel coronavirus epidemic, which resulted in a decrease in income. Although we recorded a decrease of revenue in the major indicators as compared to the same period last year, it has become better than the expectation at the initial period of work resumption. The Group worked well amidst the sudden outbreak of epidemic and is operating smoothly.

For the six months ended 30 June 2020, the income from sales services of industrial park accounted for 36.9% of the total revenue of the Group, and the income from operation and leasing services of industrial park accounted for 63.1% of the total revenue of the Group. The Group's proportion of operation and leasing business income to total income has continued to exceed 50% since 2019, which well reflected the effectiveness of the strategy of the new growth period.

As at 30 June 2020, the Group's total bank borrowings and bonds payable amounted to RMB5,510.4 million. Among which, corporate bonds payable was approximately RMB1,349.6 million, representing 24.5% of the total bank borrowings and bonds payable; liquidity loans that supported the integrated operation transformation of industrial parks amounted to approximately RMB2,360.4 million, representing 42.8% of the total bank borrowings and total bonds payables. Benefiting from factors such as the adjustment of financing structure, the average borrowing cost decreased from 6.0% at the end of 2019 to 5.5% for the Reporting Period.

As at 30 June 2020, the net assets attributable to the parent company per share amounted to RMB0.87, which was basically the same as that of the end of 2019.

As at 30 June 2020, the Group has high-quality land bank for industrial parks of approximately 5,836,000 sq.m. in various cities. The high-quality land for industrial parks is mainly located in cities such as Chengdu, Changsha, Shanghai, Ningbo and Qingdao.

BUSINESS REVIEW

2020 is the year for the preparation of China's "14th Five-Year Plan" and the second year for CEOVU to enter a new growth period. In accordance with the requirements of CEC and the Board's deployment, the Group takes the implementation of the national innovation driven and industrial upgrading strategies as the overall goal and the construction of "industrial resource sharing platform" as the strategic goal, fully implements the "system planning methodology" and "comprehensive operation methodology", and strives to establish a cross-regional industrial business promotion cooperation center based in Wuhan, Shenzhen, Shanghai and other cities, making use of the multiplier effect. With the breakthrough of forming a regional industrial network system and driven by big data, we will create new ways for industrial organizational coordination and new modes for promoting cross-regional business.

Developing Land Bank of Industrial Parks Steadily, Playing its Role as a Cornerstone

As of the publication date of this report, the Group has completed the industrial land delisting procedures for the China Electronics Technological Innovation City Project at Gaoxin District, Tianjin (67 mau) and CEOVU Digital Industrial Park Project at Caidian District (220 mau). At the same time, the Group entered into an investment cooperation agreement with the People's Government of Xinzhou District, Wuhan in the planning and construction of "CEOVU Intelligent Manufacturing Center (Yangluo)" in Yangluo Economic Development Zone. The Group also officially entered into a cooperation framework agreement on "demonstration area for new and old kinetic energy conversion" with the Government of Shenbei New Area, Shenyang, steadily developing more quality land bank for industrial parks.

Project Caidian and Project Xinzhou are the projects to be put into specific implementation from the "Plan of Smart Manufacturing in Wuhan (智造·武漢計劃)" proposed by the Group. The Group will make every effort to help Wuhan start a new chapter by seizing the opportunity of digital upgrades in the manufacturing industry and helping traditional manufacturing industry to achieve transformation and upgrades, thereby realising "Industrial Multiplication 2.0 (工業倍增2.0)".

Continuously Focusing on Industrial Services, Enhancing the Influence of the Brand

The Group has been rooted in the industrial park industry for a long period of time focusing on local economic and industrial development and fostering industrial planning and park operation services. As of the publication date of this report, the Group has been awarded in the 14th China's Top 500 Brands 2020, selected as a typical case of "Model Innovation" in the "White Paper of Listed Companies in China Industrial Park (2020)" and ranked fourth in the "List of Model Innovation". It also ranked fourth in the "2020 China's Top 10 Influential Industrial Park Operators" and eighth in the "2020 China's Top 20 Operation Performance of Industrial City Development Enterprises". The Group comprehensively put the Company's brand and product lines in order, promoted the brand cooperation mode, and accelerated the expansion of industrial park operation business.

Taking the Initiative to Bear Social Responsibility, Practising Social Values

CEOVU always puts the Company's social value in the first place instead of considering pursuing the greatest interest for the Company as its only goal. Since the outbreak of the novel coronavirus epidemic at the beginning of 2020, the Group has established a multi-level prevention and control leading group to fully support and participate in the prevention and control of the epidemic. During the epidemic, more than 2,000 employees from 72 projects of Lidao Property under the Group were at the frontline of epidemic prevention to ensure normal life of residents in the community through disinfection and cleaning, material procurement, and spread of anti-epidemic knowledge etc. Quanpai Catering under the Group was at the frontline of the canteen at the First Hospital of Wuhan, provided a total of nearly 150,000 meals. The Group also helped small and medium-sized enterprises in the parks to get through difficult times by voluntarily reducing or exempting a total of nearly RMB30 million of rent and service fees for enterprises in the park. After the epidemic became under control, the Group made every efforts to prevent and control the epidemic to resume work and production and became one of the first enterprises that resumed production among Hubei Province.

As of 30 June 2020, the Group has established a business model based on industrial park rental and sales services, with industrial investment as an important means and comprehensive operation of parks as the operating advantage. The Group has the following 3 segments: (i) Rental and sales of industrial parks (including sale and leasing of industrial park space); (ii) Industrial park operation services (including design and construction services, property management service, energy services, digital park services, incubator and office sharing services, financial services in parks, group catering and hotel services, digital apartment services, long-term leasing of apartments as well as recreation and entertainment); (iii) industrial investment (any property investment business relevant to industrial theme parks). In recent years, the income structure and composition of profit reflected the strategic effectiveness of transformation and reform.

REVENUE BY BUSINESS SEGMENTS

	Period ended 30 June			
	2020		2019	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Rental and sales of industrial parks	436,987	47.3%	514,059	45.0%
Sales of industrial park	339,578	36.8%	419,556	36.7%
Industrial park leasing	96,347	10.4%	87,422	7.6%
Sales of ancillary residential properties	1,062	0.1%	7,081	0.7%
Industrial park operation services	486,254	52.7%	628,988	55.0%
Design and construction services	163,467	17.8%	266,593	23.3%
Property management services	242,138	26.2%	230,455	20.2%
Energy services	16,128	1.7%	45,569	4.0%
Catering and hotel services in the park	31,224	3.4%	29,008	2.5%
Financial services in the park	8,335	0.9%	12,929	1.1%
Others	24,962	2.7%	44,434	3.9%
Total	923,241	100.0%	1,143,047	100.0%

Rental and Sales of Industrial Parks

During the Reporting Period, the revenue from the rental and sales of industrial park services of the Group was RMB437.0 million, representing a decrease of 15.0% as compared to the same period in 2019. Among which, the sales income from industrial park properties was RMB339.6 million, representing a decrease of 19.1% as compared to the same period in 2019, with a booked sales area of 53,000 sq.m., representing a decrease of 11.6% as compared to the same period in 2019. The income from industrial park leasing amounted to RMB96.3 million, representing a growth of 10.2% as compared to the same period in 2019, with a property leased area of 355,000 sq.m. and an occupancy rate of over 80.0%.

Management Discussion and Analysis (Continued)

For the six months ended 30 June 2020, properties sold and delivered include:

Properties sold and delivered	2020			2019		
	Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Recognized average selling price (RMB per sq.m.)	Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Recognized average selling price (RMB per sq.m.)
Wuhan Creative Capital (武漢創意天地)	12,536	1,139	11,006	23,125	1,765	13,102
Wuhan Innocenter (武漢研創中心)	-			10,636	1,512	7,035
Ezhou OVU Science and Technology City (鄂州光谷聯合科技城)	13,359	3,780	3,517	19,052	6,431	2,962
Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	-	-	-	18,568	6,847	2,712
Huangshi OVU Science and Technology City (黃石光谷聯合科技城)	-	-	-	1,730	364	4,754
Qingdao Research and Innovation Center (青島研創中心)	52,417	5,970	8,780	61,478	9,020	6,815
Qingdao International Marine Information Harbour (青島國際海洋信息港)	4,732	653	7,246	-	-	-
Shenyang OVU Science and Technology City (瀋陽光谷聯合科技城)	9,925	3,539	2,804	-	-	-
Shenyang CEOVU Information Harbour (瀋陽中電光谷信息港)	12,825	4,476	2,865	8,513	2,911	2,925
Hefei Financial Harbour (合肥金融港)	102,495	10,392	9,863	246,418	26,044	9,462
Changsha Information Security Industrial Park (長沙信息安全產業園)	68,362	10,301	6,636	29,745	4,400	6,761
Chengdu Chip Valley (成都芯谷)	9,843	1,348	7,302	-	-	-
CEC Xi'an Industrial Park (中國電子西安產業園)	37,932	6,900	5,497	-	-	-
Luoyang Information Harbour (洛陽信息港)	16,143	4,470	3,603	-	-	-
Others	71	7	10,143	7,372	613	12,026
Total	340,640	52,975	6,430	426,637	59,907	7,122

Sales of Industrial Park

During the Reporting Period, the income from sales of industrial park of the Group was mainly contributed by three cities, namely Hefei, Changsha, and Qingdao, among which, the sales income from Hefei project reached RMB102.5 million, accounting for 30.1% of the income from sales of industrial park; the sales income from Changsha project reached RMB68.4 million, accounting for 20.1% of the income from sales of industrial park; the sales income from Qingdao project reached RMB57.1 million, accounting for 16.8% of the income from sales of industrial park. In the first half of 2020, the income from sales of industrial park of the Group was mainly contributed by up to 9 cities. This demonstrated that the layout of the Group's industrial park business in other major cities across the country has been widely recognized by the market and our clients, the multi-zone park layout is conducive to lowering the risk of system and ensuring the achievement of annual target of the revenue from sales of industrial parks.

During the Reporting Period, the contracted value of the sales contracts of the Group amounted to RMB679.6 million, primarily from Changsha, Hefei, Xi'an, Qingdao and other projects. The Group has entered into an agreement with a group of high-quality enterprises such as Wanxing Technology (Hunan) Limited (萬興科技(湖南)有限公司) ("**Wanxing Technology**"), Urban Planning & Architectural Design Institute of Hunan City University (湖南城市學院規劃建築設計研究院) and Shaanxi Zhengwei Environmental Testing Co., Ltd. (陝西正為環境監測股份有限公司), among which Wanxing Technology is recognized by the Chinese government as a "Key Software Enterprise under the National Plan" and has users from more than 200 countries and regions around the world. By introducing quality customers in the first half of the year, we have built a solid foundation for achieving our operation goal of the entire year.

SUMMARY REGARDING THE SALES OF INDUSTRIAL PARK

For the six months ended 30 June 2020, the details of the Group's contracted sales amount and contracted area of sales of industrial park are as follows:

City and project	Contracted amount (RMB'000)		Contracted area (sq.m.)	
	2020	2019	2020	2019
Wuhan Creative Capital (武漢創意天地)	7,324	44,281	634	3,384
Wuhan Innocenter (武漢研創中心)	–	8,062	–	589
Ezhou OVU Science and Technology City (鄂州光谷聯合科技城)	14,892	26,022	3,779	7,391
Huangshi OVU Science and Technology City (黃石光谷聯合科技城)	1,090	2,590	239	530
Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	20,600	32,563	5,137	7,185
Changsha Information Security Industrial Park (長沙信息安全產業園)	275,390	187,257	40,139	26,548
Shenyang CEOVU Information Harbour (瀋陽中電光谷信息港)	24,880	57,245	8,105	18,230
CEC Xi'an Industrial Park (中國電子西安產業園)	65,533	21,064	11,037	4,080
Qingdao International Marine Information Harbour (青島國際海洋信息港)	63,752	28,710	6,748	3,226
Qingdao Research and Innovation Center (青島研創中心)	–	25,529	–	3,020
Hefei Financial Harbour (合肥金融港)	96,357	305,688	9,983	29,455
Luoyang China Electronics Optics Valley Information Harbour (洛陽中電光谷信息港)	26,944	30,559	6,615	8,318
China Electronics Wenzhou Industrial Park (中國電子溫州產業園)	20,376	–	6,367	–
Others	62,452	16,443	12,789	1,227
Total	679,590	786,013	111,572	113,183

Development and Progress of Industrial Park

During the Reporting Period, the total area of new development in industrial parks was 327,000 sq.m. and the total area of new completion was 347,000 sq.m.. As at 30 June 2020, the total area under construction was approximately 909,000 sq.m..

Land Bank of Industrial Parks

During the Reporting Period, the Group has owned high-quality land bank for the industrial parks of approximately 5,836,000 sq.m. in various cities, namely Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Hefei, Shenyang, Xi'an, Wenzhou, Luoyang, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai and Ningbo.

Table of Land bank of Industrial Parks

An overview of the land bank for the industrial parks as of 30 June 2020 is as follows:

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (sq.m.)
1	Optics Valley Software Park (光谷軟件園)	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	34,988
2	Financial Harbour (Phase I) (金融港一期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
3	Financial Harbour (Phase II) (金融港二期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	29,492
4	Creative Capital (創意天地)	Wuhan	16 Yezihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	173,603
5	Wuhan Innocenter (武漢研創中心)	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	197,337
6	Lido 2046 (麗島2046)	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	461
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%	290,701
9	Qingdao Research and Innovation Center (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%	71,854
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%	131,657
12	Shenyang OVU Science and Technology City (瀋陽光谷聯合科技城)	Shenyang	Intersection of Shengjing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	1,715

Management Discussion and Analysis (Continued)

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (sq.m.)
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%	90,251
14	Shenyang Maker Corporation (瀋陽創客公社)	Shenyang	12 Qixing Street, Shenbei New District, Shenyang, Liaoning Province	Industrial	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%	273,797
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%	174,685
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 Harbour (合肥金融港)	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	100%	369,340
19	Xi'an Industrial Park (西安產業園)	Xi'an	West of Caotanshi Road, North of Shangji Road, Xi'an, Shaanxi Province	Industrial	73.9%	208,193
20	Wenzhou Industrial Park (溫州產業園)	Wenzhou	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou, Zhejiang Province	Industrial	95%	191,879
21	Changsha Information Security Industrial Park (長沙信息安全產業園)	Changsha	Yuelu Avenue in High-tech Industrial Development Zone	Industrial	100%	384,079
22	Shanghai Logistic Enterprise Community (上海物聯港)	Shanghai	Lot 114/1, 101 Street, Songjiang Industrial Park, Songjiang District	Industrial	100%	235,400
23	Chengdu Chip Valley (成都芯谷)	Chengdu	Group 1 of Fenge Community, Dongsheng Street, Group 7 of Guangrong Community, Peng Town	Commercial Service	80%	580,841
24	Luoyang China Electronics Optics Valley Information Harbour (洛陽中電光谷信息港)	Luoyang	Intersection of Guanlin Road and Longshan Line, Luolong District, Luoyang, Henan Province	Industrial	70%	72,099
25	Ningbo Hangzhouwan Center, Blue Coast (寧波杭州灣中心·蔚藍海岸)	Ningbo	North of Binhai Sixth Road and East of Zhongxing First Road, Hangzhou Bay New District, Ningbo City	Residential/ Industrial	31%	1,325,945
26	Zhuhai Hengqin Zhishuyun (珠海橫琴智數雲)	Zhuhai	East of Fubang Road, South of Xingsheng Third Road, West of Fuguo Road and North of Xingsheng Second Road, Hengqin New District, Zhuhai, China	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%	651,968
Total						5,836,470

Industrial Park Leasing

During the epidemic, the Group actively took up its social responsibilities to help approximately 400 small and medium-sized enterprises in the park to get through difficult times by reducing or exempting a total of nearly RMB30 million of rent and service fees for enterprises in the park. Despite this, the Group's industrial park lease income in the first half of the year recorded an increase of 10.2% over the same period in 2019 to RMB96.3 million. Among them, the Group has cooperated with local Investment Promotion Bureau to sign a leasing contract of Qingdao project, the contracting amount of which has reached RMB167 million, with Shandong Kexin Information Technology Co., Ltd. (山東科訊信息科技有限 公司) (a subsidiary of Iflytek (科大訊飛)) with a total area of 20,200 sq.m. and a lease term of 10 years. The project has become the "No.1 Project" of Qingdao West Coast New Area in promoting industrial upgrading and exploring digital transformation of technology enterprises. As of 30 June 2020, the area of the Group-owned high-quality properties reached 355,000 sq.m., with an occupancy rate of over 80%, which will bring a stable and sustainable cash flow to the Group, further optimizing the model of business solicitation services for parks and continuously promoting brand effectiveness.

Industrial Park Operation Services

At the current stage, the Group has formed 15 types of integrated operation business service, including digital park system, digital apartment system, strategic planning for projects, project planning, construction and design, general contracting work, decoration work, real estate agency, regional energy services, property management, shared offices, long-term apartments, financial services in parks, catering and hotels. It was equipped with 8 types of combinations of integrated operation service that takes consultation and planning, informatized technology and digital park (apartment) solutions, integrated operation life cycle services, EPC, smart facility equipment, investment promotion, dual-innovation services and regional energy management as the entry point.

During the Reporting Period, the Group provided integrated operation services, such as planning and consultation, EPC, design and construction, property management, regional energy, financial services in parks and other services, for key projects of local government platform companies or large enterprises, and offered a variety of one-stop park operation services to enterprises stationed in our industrial parks. The turnover of the industrial park operation services of the Group amounted to RMB486.3 million, representing a decrease of 22.7% as compared to the same period of 2019. During the epidemic, about 2,000 employees of Lidao Property were at the frontline of the epidemic. After work resumption, they effectively organized the "fighting for 30 days, grabbing over half of the revenue" activity, achieving a property management services income of RMB242.1 million, representing an increase of RMB11.7 million as compared to the same period last year. The turnover of design and construction services recorded a decrease of RMB103.1 million as compared to the same period last year, which was mainly due to the impact of the epidemic and the adjustment of project planning. It was confirmed that the income from the Qidian Science and Technology City EPC project recorded a decrease in the first half of the year. In terms of composition, the revenue from design and construction services and property management services accounted for 83.4% of the revenue from industrial park operation services, and is the major source of revenue of the industrial park operation services currently.

Property Management Services

In the face of the negative impact of late work resumption of enterprises in the park caused by the epidemic, every employee in Lidao Property joined hands to fight the virus and tided over the difficult times. While seeking transformation and development, every employee fought for 30 days to achieve the goal of half the time half the target, achieved a total revenue of over RMB100 million in June, and met the business target of the first half of the year.

During the Reporting Period, the income from the property management services of the Group was RMB242.1 million, representing an increase of 5.1% as compared to the same period of 2019. Among which, the income from property management services provided to non-residential projects such as the industrial park amounted to RMB167.8 million, accounting for 69.3% of the total property management services income. During the Reporting Period, the Group increased 712,000 sq.m. of property service area as the Group has continuously succeeded in winning the bids in providing property services to projects apart from the office buildings, which include government, schools, banks, office buildings of large corporates, rail transit, and multi-city mobile business offices with its smart service system. The area that the Group provided property management service has reached 20,440,000 sq.m., of which non-residential projects such as industrial parks accounted for 57.4% of the total area.

Design and Construction Services

Integrated Operation Service that Takes EPC as the Entry Point

EPC is a general contracting mode for engineering projects which enhances the synergistic efficiency of design, procurement and construction. As for the integrated operation under the EPC model, the customers of the services are mainly local government platform companies and large enterprises, and the serviced projects are the industrial park projects that such customers intend to invest in. The Group provides EPC integrated design and construction services, ranging from design, tender and procurement of construction, to the government, institutions and related enterprises through the process of optimizing and integrating the industrial chain of the Group's architectural design institutes, construction subsidiaries and etc. In the process of providing EPC services to customers, we focus on customer's comprehensive needs and "start" at the "end". We plan project operations comprehensively at the set up stage, give full play to the core advantages of "multi-regulation integration" formed by system planning methodology, emphasize the responsibility of the entire process, cooperate with customer continuously to form a comprehensive operational service integrating consultation and planning, EPC, business solicitation, and operation. This illustrates that while helping customers to achieve industry introduction or other goals, the Company's comprehensive operation business scale could be expanded. As of the date of publication of this report, the Group has entered into the Sunshine CEC i-Valley EPC project with Sunshine Life Insurance Corporation Limited (陽光人壽保險股份有限公司) with a GFA of 151,400 sq.m. and an amount of RMB655.4 million.

Integrated Operation Service that Takes Consultation and Planning as the Entry Point

In 2020, under the “one platform and two methodologies” strategic guidance, through fully utilizing its effect of industrial consultation and planning consultation, while consolidating conventional businesses, the Group developed consultation services such as strategic planning, industrial planning and comprehensive planning for a region, expanded emerging businesses and deepened the “consultation +” sustainable development model, dug deep into its integrated operation mode which takes consultation and planning as the entry point, continued to explore the long-tail profit mode, and unearthed deeply the industrial resources in places such as Chongqing, Yanan, Yinchuan and Hulan, thereby enriching and substantiating the industrial resource sharing platforms of CEOVU.

During the Reporting Period, the income from design and construction services of the Group was RMB163.5 million.

Energy Services

During the Reporting Period, the income from energy services of the Group was RMB16.1 million. Through years of development and exploration, Wuhan CEC Energy Conservation Co., Ltd.* (武漢中電節能有限公司) (“**CEC Energy Conservation**”) gradually established the energy service business system which adopted the intelligent control system (“**DHC**”) as its core business with mechatronics engineering, EMC, and specialized pipelines as its feature. Through conducting three dimensions, namely green regional energy system, green building and construction, as well as green operation, the Group has promoted new energy-saving and emission-reduction technology. As of June 2020, CEC Energy Conservation had 27 utility models, 11 invention patents and 5 software copyrights relating to its self-developed energy-saving control system. Research and development for the CEC Energy Conservation’s smart self-controlled energy-saving system was also fundamentally completed. In the next two to three years, the accumulated operating service area of CEC Energy Conservation is expected to exceed 10,000,000 sq.m.

Group Catering and Hotel Services

Based on the industrial park, Quanpai Catering not only provides services for the Group, but also promotes the business atmosphere in the park as a business expander at the same time, attracting various businesses into the park and improving its comprehensive service ability. Since it was set up nine years ago, Quanpai Catering has gradually established its brand in the group catering industry in Wuhan. During the epidemic, Quanpai Catering was at the frontline of the canteen at the First Hospital of Wuhan, providing a total of nearly 150,000 meals, and was awarded “Outstanding Contributing Company of the City to the Support to Epidemic Prevention and Control”. It has continuously and actively expanded the market on top of the solid foundation laid. At present, Quanpai Catering has 32 market projects, among which 5 were new during the Reporting Period. Adhering to its positioning as 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 the first half of 2020, the revenue from group catering and hotel services reached RMB31.2 million.

Other Industrial Park Operation Services

Digital Park Services

During the Reporting Period, the Group made a historical move in the construction of the industrial resource sharing platform with digital park system as its focus, industrial park application scenarios as its motive and objective, key technology as the point to break through and intelligent city construction as its general goal, and formed a "Digital Park System" based on the "PK System", "P" referring to "FeiTeng Phytium processor", while "K" referring to "Kylin OS", to promote the application in smart city demonstration zones and modernization of urban governance, providing application scenarios for the innovation of electronic network and information industry in China. During the epidemic period, the digital park business department worked day and night, and based on years of foundation, it successively launched 2 digital park system service platforms, namely "Park Connect" and "Merchants Connect", laying a foundation to meet the annual goal of "Digital Capacity Construction". In the future, the digital park will further integrate digital apartments and OVU Maker Star to create an information management platform.

Incubator and Office Sharing Services

During the Reporting Period, Wuhan OVU Technology Co., Ltd.* (武漢歐微優科技有限公司), a controlled subsidiary of the Group, was fully responsible for the operation of OVU Maker Star. During the Reporting Period, the operating income was RMB26.5 million.

The Group followed the national strategy and the general trend of "Twin engines of mass entrepreneurship and innovation" to promote transformation and reform. With the foundation of integrated operation life cycle services, the Group developed an industrial resource sharing platform of "small and medium-sized businesses, joined by stated-owned enterprises for coordinated innovation" to improve and systematize the overall "Twin engines" environment and unlock the potential of "Twin engines" in society. The Group further streamlined the business development model of co-working spaces, and promoted the establishment of incubators and co-working spaces in ways such as remuneration system, low base salary but high commission, tax excess reward and business partnership.

OVU Maker Star is operating 38 sites with a total area of 413,000 sq.m. for innovation and entrepreneurship in 21 innovative cities across the country including Beijing, Shanghai, Shenzhen, Wuhan, Chengdu, Xi'an, Changsha, Hefei and etc. It invited over 150 service providers from different sectors such as human resources, legal, financial, marketing and promotion etc, and supported over 1,500 innovation teams and start-ups including Meituan Bike, Qihoo 360, HP China, Bilibili, Wuhan Easylinkin Technology Co., Ltd.* (武漢慧聯無限科技有限公司) ("**Easylinkin Technology**"), Yuanfudao and Huohua Siwei. It gathered over 80,000 innovative businessmen and entrepreneurs and provided support on for corporate financing of a total amount exceeding RMB10 billion dollars.

OVU Maker Star received over 50 qualifications for its site operations including 1 demonstration base, 5 incubators, 10 co-working spaces and 1 advertising incubating platform that are up to national standard; 6 incubators and 10 co-working spaces that are up to provincial standard; as well as 2 incubators and 3 co-working spaces that are up to municipal standard. It was awarded over 40 awards from institutions including the National Development and Reform Commission, Torch High Technology Industry Development Center of the Ministry of Science and Technology, China Innovation and Entrepreneurship Trading Office and China Association for Science and Technology Enterprise Service Center. The digital space management platform self-developed by OVU Maker Star was recognized by the National Development and Reform Commission as a significant project of national level dual innovation demonstration base and an incubator of emerging industries which fully supports the new working trends including mobile working and cross-city resource sharing.

Industrial Financial Services

The controlled subsidiary of the Group, Hubei Zhongchuang Financing Guarantee Co., Ltd.* (湖北中創融資擔保有限公司) (“**Zhongchuang Guarantee**”) built up a financial service platform in parks with businesses in relation to providing guarantees as focus, factoring and financial leasing as complements, providing financial guarantee service for SMEs as core business and financial services for industrial parks as feature, and established inclusive financial cooperation with various financial institutions such as the Industrial and Commercial Bank of China and the Industrial Bank. As of the publication date of this report, Zhongchuang Guarantee was officially shortlisted for the Hubei Re-guarantee Group’s proportional re-guarantee business cooperation guarantee system, marking that Zhongchuang Guarantee was officially included in the government financial guarantee institution system.

In the first half of 2020, 5 new lending businesses with a scale of RMB66.0 million were added, which recorded a revenue of RMB6.5 million.

Industrial Investment

As at 30 June 2020, Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) (“**Lingdu Capital**”) was in full charge of operating and managing certain industrial investment funds initiated and established by the Group’s OVU Fund and relevant government and institutions. As of 30 June 2020, the scale of industrial funds managed by Lingdu Capital exceeded RMB650.0 million. It mainly focused on investment directions, including smart cities, intelligent manufacturing, healthcare big data, civil-military use, integrated circuits and cultural and creative entertainment, and focused on the investment and financial services in the early stages and the early-to-mid stage.

The Group, together with Zhongjin Capital Operation Co., Ltd.* (中金資本運營有限公司) and others, established CEC & CICC (Xiamen) Electronic Industry Equity Investment Management Co., Ltd.* (中電中金(廈門)電子產業股權投資管理有限公司) which is responsible for the establishment and management of CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund (中電中金(廈門)智能產業股權投資基金) (“**CEC & CICC Fund**”). CEC & CICC Fund, with a total fund scale amounting to RMB5,000.0 million, 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.

Easylinkin Technology, a company jointly invested by Wuhan Optics Valley Union and OVU Fund, is the leading 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 and safe community, intelligent community, intelligent building and meter reading, and are replicating widely. In 2017, Easylinkin Technology obtained the A-round financing led by IDG where its post-investment valuation was approximately RMB480.0 million, finished the B-round financing led by China Growth Capital in 2018 where its post-investment valuation was approximately RMB830.0 million. In 2019, Easylinkin Technology has completed the C-round financing led by Beijing Megvii Co., Ltd.* (北京曠視科技有限公司) where its post-investment valuation was approximately RMB1,295.0 million.

Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) (“**Huada Beidou**”), a company invested by CEC Optics Valley (Shenzhen) Industry Development Co., Ltd. (中電光谷(深圳)產業發展有限公司), is mainly engaged in the design, integration, production, testing, sales and related businesses of chips, algorithm, module and end products. Huada Beidou conducted research and developed the first SOC chip in the world with multiple systems, multiple frequencies and high precision that supports the Beidou No. 3 signal system, and proposed the first “Beidou Chips Open Platform” concept among industries of the world. The performance index of its mass-produced 40nm processed RF baseband integrated navigation chip has met an advanced level internationally and a leading standard domestically, receiving wide market attention. As of the publication date of this report, Huada Beidou has completed the A+ round financing with a post-investment valuation of RMB1,200.0 million.

CEC & CICC Fund and fund managed by Lingdu Capital are the Group’s key players in providing financial investment services to its customers. At the same time, they are the carriers of the Group in achieving the industrial investment strategies. CEC & CICC and Lingdu Capital will continue to work on management services of enterprises in the early stages and the early-to-mid stage by the integration with space services to further promote investment services of the industry.

In view of the delay in resumption of work and production due to the outbreak of epidemic, the three segment businesses were affected to varying degrees in the first half of the year, resulting in the non-comparability of performance indicators of the segments in the previous year. As of the publication date of this report, all business indicators have resumed normal.

FUTURE PROSPECT

In the first quarter of 2020, we encountered the co-existence of the phenomena of both “Black Swans” and “Grey Rhinos”. The Group worked in response to the sudden outbreak of the coronavirus epidemic and got through the difficult times. Despite the fact that we recorded a decrease of revenue in the major operation indicators as compared to the same period last year, it remained in a reasonable range. In the second half of 2020, there will be no fundamental changes in the strategic environment faced by the Group and the overall situation of the national macro-economy, the competitive advantage and industrial development capacity of the Group will be gradually enhanced, the transformation and reform strategy implemented by the Group has been effective, and the Group will continue with the implementation with determination in the future. Our management has formulated a series of plans and programs, and is confident the losses brought by the epidemic can be within a controllable range to strive to achieve the annual budget goal.

STRATEGIES OF THE GROUP

Strengthening the Foundation of the Rental and Sales of the Industrial Parks

In the second half of 2020, rental and sales of industrial parks remains to be the cornerstone of the Group. We will continue to utilize the important role of the cities such as Qingdao, Hefei, Changsha, Wuhan, Ezhou and Shenyang in rental and sales of industrial parks, support cities such as Chengdu, Xi’an, Xianyang, Shanghai, Ningbo and Wenzhou to become new pivot cities for industrial business promotion, and pay close attention to the layout of the new park projects according to the plan. As of the publication date of this report, the Group has newly cooperated with important strategic customers such as Hunan Baijing Investment Management Co., Ltd. Meanwhile, the Group will introduce sales of high-quality industrial park projects such as Shanghai CEC Information Harbour and Shenyang Maker Corporation in the second half of the year, and by such a combination of measures to ensure that the rental and sales business of industrial parks can reach its annual target.

Further Implementing the Goals for Transformation, Comprehensively Expanding Integrated Operation Business

The goal of the Group’s strategic transformation is to maintain the business of the rental and sales of industrial parks while expanding the scale of the integrated operation business, hence these two business segments could complement each other and grow in tandem. The Group will take the end as a new beginning, and step up its effort in comprehensively expanding its integrated operation business through various models: a model which benefits the expansion of business scale in Xianyang and Putian; a model which facilitates business extension in Shenzhen and Chongqing; the integrated model of the Internet Security Base is vibrant, and the comprehensive operational reform model focusing on regional integration in Ezhou. In a nutshell, the Group will further enhance the proportion of its integrated operation business to its total income with the policy of “strengthened stability, comprehensive enhancement, and proactive promotion”. As of the publication date of this report, the Group entered into a consultation services agreement with Hulan Economic Development Zone. In the second half of 2020, the Group will step up its effort in the expansion of comprehensive operation business.

Actively Promoting Financial Innovation to Comprehensively Enhance Capacity for Industrial Development

The “New Infrastructure” and “Urban Renewal” schemes implemented in various regions for hedging against the epidemic risks and the “suspension” losses reduction policy in Hubei and Wuhan Province backed by the country have provided us with precious business opportunities. In the second half of 2020, the Group will actively explore the mode of cooperation with professional real estate funds to control and operate more high-quality industrial park projects with reasonable investment so as to achieve reasonable profit through investment.

The Group will actively promote a supply chain finance solution within the Group during the second half of the year to ensure the progress of the projects and at the same time to further improve indicators of operating cash flow.

Expediting the Construction of Digital Platform and Constructing Extensively a Multi-channel Joint Investment System

The Group has set up an industry cooperation center during the year, using supply chain security as a guide to attempt ways and methods of cross-regional and cross-industry resource sharing and production capacity cooperation, and explore effective mechanisms for regional industrial layout and cooperation. Some exciting progress has been made. In the second half of the year, the Group will further promote diverse collaboration of industrial resources with local governments, industrial organizations, industrial alliances, innovation alliances and other organizations by leveraging the existing industrial park networks and industrial cooperation mechanisms developed based on the digital park systems, thus acquiring more industry collaboration platforms and industrial Internet platforms of various regions and industries to facilitate blossomed platform cooperation. Improving our investment system is one of the key tasks in the second half of the year. Leveraging the structural advantages of network investment under the digital park system, completion of the annual investment missions will be ensured.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was RMB923.2 million, representing a decrease of 19.2% as compared to the same period of 2019. The following table sets forth the revenue of the Group by business segment:

	For the six months ended 30 June			
	2020		2019	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Rental and sales of industrial parks	436,987	47.3%	514,059	45.0%
Sales of industrial park	339,578	36.8%	419,556	36.7%
Industrial park leasing	96,347	10.4%	87,422	7.6%
Sales of ancillary residential properties	1,062	0.1%	7,081	0.7%
Industrial park operation services	486,254	52.7%	628,988	55.0%
Design and construction services	163,467	17.8%	266,593	23.3%
Property management services	242,138	26.2%	230,455	20.2%
Energy services	16,128	1.7%	45,569	4.0%
Group catering and hotel services in the park	31,224	3.4%	29,008	2.5%
Financial services in the park	8,335	0.9%	12,929	1.1%
Others	24,962	2.7%	44,434	3.9%
Total	923,241	100.0%	1,143,047	100.0%

Cost of Sales

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

During the Reporting Period, cost of sales of the Group amounted to RMB681.2 million, representing a decrease of RMB81.6 million or 10.7% over the same period in 2019. As of 30 June 2019 and 30 June 2020, the cost of sales of the Group represented 66.7% and 73.8%, respectively, of the income of the Group.

Gross Profit and Gross Profit Margin

During the Reporting Period, the overall gross profit of the Group was RMB242.0 million, representing a decrease of RMB138.2 million as compared with the same period in 2019. Overall gross profit margin was 26.2%, representing a decrease of 7.1 percentage points from 33.3% in the same period of 2019, mainly due to the three business segments of the Group were affected to varying degrees due to the epidemic which led to a decrease in income and gross profit.

Other Income and Gains/(Losses) – Net

During the Reporting Period, other income and gains/(losses), net of the Group was RMB28.7 million, representing a decrease of RMB76.0 million as compared to the net gain of RMB104.7 million for the same period in 2019, primarily due to the fair value gains amounting to RMB82.2 million from investment in Easylinkin Technology through the financial assets at fair value through profit or loss by the Group in the same period of 2019.

Selling and Distribution Expenses

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

During the Reporting Period, selling and distribution expenses of the Group was RMB46.8 million, which have decreased by RMB7.5 million as compared to the same period of 2019. The decrease is mainly due to the impact of the epidemic on the Group during the period. The lowered income has resulted in decrease of selling and distribution expenses.

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 the Reporting Period, administrative expenses of the Group was RMB140.0 million, which have decreased by RMB44.1 million as compared to the same period of 2019. The decrease is mainly due to our active control over administrative expenses in response to the impact of the epidemic on the Group during the period.

Fair Value Changes of Investment Properties

During the Reporting Period, fair value gains on the Group's investment properties was RMB117.7 million, representing an increase of RMB77.0 million as compared with the same period in 2019, primarily due to an increase in the area of investment properties newly added by the Group during the current period as compared with the same period last year.

Finance Income

During the Reporting Period, the financial income of the Group was RMB24.0 million, representing a decrease of RMB23.9 million as compared to the same period in 2019, primarily due to a decrease in interest income from entrusted loans to associates.

Finance Costs

During the Reporting Period, finance costs of the Group were RMB87.1 million, representing a decrease of RMB13.1 million as compared with the same period in 2019, primarily due to a decrease in the interest rate of interest-bearing liabilities of the Group during the current period.

Share of Profits/(Losses) of Associates

During the Reporting Period, share of profits of associates of the Group was RMB0.54 million, representing an increase of RMB30.8 million as compared with the same period in 2019, which primarily consisted of the Group's share of profits of Hainan Software Community and CEC & CICC etc.

Share of Profit of Joint Ventures

During the Reporting Period, share of profits of joint ventures of the Group was RMB39.3 million, representing an increase of RMB26.6 million as compared with the same period in 2019, which primarily consisted of the Group's share of profits of Excellence Ningbo Optics Valley Real Estate Co., Ltd.* (寧波卓越光谷置業有限公司).

Income Tax Expense

During the Reporting Period, income tax expense of the Group was RMB65.4 million, representing a decrease of RMB36.1 million as compared with the same period in 2019, which was primarily due to (i) a decrease in PRC land appreciation tax expense of RMB24.6 million resulting from the Group's lower income from sales of industrial parks in the first half of 2020; (ii) a decrease in PRC corporate income tax expense of RMB16.9 million; (iii) an increase in deferred tax expense of RMB5.4 million.

Profit for the Reporting Period

As a result of the foregoing, during the Reporting Period, the profit attributable to owners of the Group was RMB120.1 million, representing a decrease of RMB21.1 million as compared with the same period in 2019.

FINANCIAL POSITION

Properties under Development

The carrying amount of properties under development of the Group increased by RMB99.5 million from RMB2,509.0 million as at 31 December 2019 to RMB2,608.5 million as at 30 June 2020, primarily due to the increase in properties under construction of the Group for the period as compared to 2019.

Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the Group increased by RMB149.0 million from RMB3,066.5 million as at 31 December 2019 to RMB3,215.5 million as at 30 June 2020, primarily due to an increased amount transferred in upon completion of the projects over the amount transferred to cost of sales of the Group in the period.

Trade and Other Receivables

The Group's trade and other receivables decreased by RMB216.1 million from RMB1,857.1 million as at 31 December 2019 to RMB1,641.0 million as at 30 June 2020, which was primarily due to the decrease from trade receivables related to the sale of properties. According to the terms of the underlying sale and purchase agreement, the collection mode of the sale of property can be classified into a bank mortgage loan, one-time payment and installment payment.

Trade and Other Payables

The Group's trade and other payables decreased by RMB133.0 million from RMB3,462.8 million as at 31 December 2019 to RMB3,329.8 million as at 30 June 2020, which was primarily due to the settlement of amounts for construction work of the Group in the first half of 2020 that caused the decrease in the corresponding payables for related construction 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, repayment of debts and allocation of working capital and general recurrent expenses. The Group's cash inflow is mainly from the pre-sale and sale of its properties, proceeds from bank loans and other borrowings.

In the first half of 2020, the Group's net cash outflow from operating activities was RMB519.9 million, which was mainly because of an increase in construction expenses along with the increase in the area of the industrial park under construction during the Reporting Period as compared to the corresponding period in 2019.

In the first half of 2020, the Group's net cash inflow from financing activities was RMB494.8 million. Cash inflow from financing activities mainly came from bank borrowings and other borrowings.

KEY FINANCIAL RATIOS

Current Ratio

Current ratio of the Group, representing total current assets divided by total current liabilities, decreased from 1.51 as at 31 December 2019 to 1.36 as at 30 June 2020, primarily due to the increase in current liabilities greater than the increase in current assets of the Group for the current period.

Net Gearing Ratio

Net gearing ratio of the Group, representing the ratio of interest bearing debts deducting total cash over total equity and multiplied by 100%, increased from 27.1% as at 31 December 2019 to 32.4% as at 30 June 2020, primarily attributable to the increase in interest-bearing liabilities for the current period.

Indebtedness

The Group's total outstanding indebtedness increased by RMB780.7 million from RMB4,729.7 million as at 31 December 2019 to RMB5,510.4 million as at 30 June 2020.

Contingent Liabilities

The Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of the Group's pre-sale properties. As at 31 December 2019 and 30 June 2020, the outstanding guarantees for mortgage loans granted to customers of its pre-sale properties were approximately RMB520.6 million and RMB643.9 million, respectively.

Net Current Assets

Current assets of the Group consist primarily of properties under development, completed properties held for sale, trade and other receivables, inventories and contracting work-in-progress, and cash and cash equivalents. Total current assets of the Group were approximately RMB11,386.1 million as at 30 June 2020, as compared to RMB11,226.8 million as at 31 December 2019. As at 31 December 2019 and 30 June 2020, total cash and cash equivalents of the Group amounted to approximately RMB1,870.0 million and RMB1,613.1 million, respectively. The Group primarily financed its expenditures through internally-generated cash flows, being primarily cash generated through pre-sale and sale of its properties and cash from bank loans and other borrowings.

Current liabilities of the Group consist primarily of trade and other payables, loans and borrowings and current tax liabilities. Trade and other payables represent costs related to its development activities. Total current liabilities of the Group were approximately RMB8,348.7 million as at 30 June 2020, as compared to RMB7,438.3 million as at 31 December 2019.

As at 30 June 2020, the Group had net current assets of approximately RMB3,037.5 million as compared to RMB3,788.5 million as at 31 December 2019. The decrease in net current assets of the Group was primarily due to the increase in current liabilities greater than the increase in current assets of the Group for the current period.

Capital Expenditures and Capital Commitments

During the Reporting Period, capital expenditure of the Group was RMB107.7 million. Capital expenditures of the Group was primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 30 June 2020, the Group's outstanding commitments related to property development expenditure and investment was RMB1,225.7 million.

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

EMPLOYEES

As of 30 June 2020, the Group had 6,239 full-time employees. The employment cost of the Group was approximately RMB254.1 million for the Reporting Period. The Group enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. 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. 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 managed and operated by the relevant local government authorities. The Group is required to make contributions to such schemes of an amount ranging from 16.0% to 20.0% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees. The Group's contributions to the statutory contribution pension schemes are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in such contributions.

Employee Training and Development

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

PLEDGED ASSETS

As at 30 June 2020, outstanding bank borrowings and corporate bonds have been secured by certain assets of the Group with a total net book value of RMB2,137.7 million, including investment properties, properties under development for sale, completed properties held for sale and property, plant and equipment and restricted cash.

MARKET RISKS

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

LIQUIDITY RISK

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

INTEREST RATE RISK

The Group is exposed to interest rate risks, primarily relating to its bank loans and other borrowings, which had an outstanding amount of RMB5,510.4 million as at 30 June 2020. The Group undertakes debt obligations to support its property development and general working capital needs. Soaring interest rates may increase the finance costs of the Group. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of its debt obligations. The Group currently does not carry out any hedging activities to manage its interest rate risk.

FOREIGN EXCHANGE RISK

The Group's functional currency is Renminbi and substantially all of its turnover, expenses, cash and deposits are denominated in Renminbi. The Group's exposures to currency exchange rates arise from certain of its cash and bank balances which are denominated in Hong Kong dollar. In the event of a depreciation of the Hong Kong dollar against Renminbi, the value of its cash and bank balances in Hong Kong dollar will decline. In addition, if the Group maintains any foreign currency denominated assets or liabilities, including raising any foreign currency-denominated debts, fluctuations in Renminbi exchange rates will have an impact on the value of such assets and liabilities, thus affecting the financial condition and results of operations of the Group. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign currency risk.

CREDIT RISK

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

The Directors are pleased to present their report together with the unaudited interim results of the Group for the six months ended 30 June 2020.

INTERIM DIVIDEND

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the Reporting Period.

DIRECTORS

The Directors as at the date of this report were:

Executive Directors

Mr. Huang Liping (*re-designated from Chairman to Co-chairman on 8 May 2020, and President*)

Mr. Xie Qinghua (*Co-chairman*) (*appointed on 8 May 2020*)

Mr. Hu Bin (*Executive President*)

Non-executive Directors

Ms. Wang Qiuju

Mr. Xiang Qunxiong (*resigned on 8 May 2020*)

Mr. Zhang Jie

Ms. Sun Ying

Independent non-executive Directors

Mr. Qi Min

Mr. Leung Man Kit (*resigned on 8 May 2020*)

Ms. Zhang Shuqin (*resigned on 10 March 2020*)

Mr. Qiu Hongsheng (*appointed on 10 March 2020*)

Ms. Chan Ching Har Eliza (*appointed on 8 May 2020*)

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Mr. Qiu Hongsheng has resigned as an independent director of China National Software and Service Co., Ltd. (中國軟件與技術服務股份有限公司) (Stock Code: 600536) (a company listed on the Shanghai Stock Exchange) in May 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company

Name of Director	Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Mr. Huang Liping	Interest in controlled corporation	1,875,540,000 ⁽³⁾	24.76%
Mr. Hu Bin	Beneficial owner	70,320,000 ⁽⁴⁾	0.93%

Notes:

- (1) All the above Shares were held in long position (as defined under Part XV of the SFO).
- (2) The percentages disclosed were calculated based on the total number of issued shares of the Company as at 30 June 2020, i.e., 7,574,352,000.
- (3) Mr. Huang Liping held 100% equity interests in each of AAA Finance and Lidao BVI. Under the SFO, Mr. Huang Liping was deemed to be interested in 1,755,540,000 Shares held by AAA Finance and 120,000,000 Shares held by Lidao BVI.
- (4) Mr. Hu Bin was a beneficiary of 70,320,000 Shares of a trust set up pursuant to a trust deed executed on 13 September 2013 with Hengxin Global (PTC) Limited as trustee. On 20 July 2015, 21 April 2016 and 28 April 2017, Hengxin Global (PTC) Limited (as trustee) transferred in aggregate 70,320,000 Shares to Mr. Hu. Thus, Mr. Hu Bin was a beneficial holder of 70,320,000 Shares.

Save as disclosed above, as at 30 June 2020, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, the following persons (not being a Director or chief executive of the Company) had interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
CEC	Interest in controlled corporation	2,550,000,000 ⁽³⁾	33.67%
CE Huada Technology	Interest in controlled corporation	2,550,000,000 ⁽⁴⁾	33.67%
AAA Finance	Beneficial owner	1,755,540,000 ⁽⁵⁾	23.18%
Haitong International Securities Company Limited	Person having a security interest in shares	505,888,000 ⁽⁶⁾	6.68%
Haitong International Securities Group Limited	Interest in controlled corporation	505,888,000 ⁽⁷⁾	6.68%
Haitong International Holdings Limited	Interest in controlled corporation	505,888,000 ⁽⁸⁾	6.68%
Haitong Securities Co., Ltd.	Interest in controlled corporation	505,888,000 ⁽⁹⁾	6.68%
Technology Investment HK	Beneficial owner	479,910,000	6.34%
Hubei Science & Technology Investment	Interest in controlled corporation	479,910,000 ⁽¹⁰⁾	6.34%
China International Capital Corporation Hong Kong Securities Limited	Person having a security interest in shares	382,518,000	5.05%
China International Capital Corporation (Hong Kong) Limited	Interest in controlled corporation	382,518,000 ⁽¹¹⁾	5.05%
China International Capital Corporation Limited	Interest in controlled corporation	382,518,000 ⁽¹²⁾	5.05%

Notes:

- (1) All the above Shares were held in long position (as defined under Part XV of the SFO).
- (2) The percentages disclosed were calculated based on the total number of issued shares of the Company as at 30 June 2020, i.e., 7,574,352,000.
- (3) These Shares were held by CEC Media. CEC Media was a wholly-owned subsidiary of CE Huada Technology. As CE Huada Technology was a subsidiary of CEC, CEC was deemed to be interested in all the Shares held by CEC Media under the SFO.
- (4) These Shares were held by CEC Media. CEC Media is a wholly-owned subsidiary of CE Huada Technology. Under the SFO, CE Huada Technology was deemed to be interested in all the Shares held by CEC Media.

- (5) The number of Shares held by AAA Finance as reported above is extracted from the register of interests in shares and short positions of directors and chief executives kept by the Company pursuant to section 336 of the SFO and the relevant form of disclosure of interests filed by Mr. Huang Liping on 14 January 2020. AAA Finance was wholly owned by Mr. Huang Liping, the Co-chairman and President of the Company. Mr. Huang Liping's interests therein are set out in the section headed "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this report. AAA Finance was a holder of 1,755,540,000 Shares as at 30 June 2020. In so far as the Directors are aware, AAA Finance had no obligation to disclose such subsequent change(s) in shareholdings as there was no crossing of a whole percentage level of its shareholdings in the Company.
- (6) Haitong International Securities Company Limited owned security interest in 505,888,000 Shares, of which its interest in 375,000,000 Shares were jointly held with Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (7) Haitong International Securities Group Limited indirectly held 100% interest in the issued share capital of each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited. Under the SFO, Haitong International Securities Group Limited was deemed to be interested in the security interest of Shares held by each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (8) Haitong International Holdings Limited held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. Under the SFO, Haitong International Holdings Limited was deemed to be interested in the security interest of Shares held by each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (9) Haitong Securities Co., Ltd. held 100% interest in the issued share capital of Haitong International Holdings Limited, which in turn held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. Under the SFO, Haitong Securities Co., Ltd. was deemed to be interested in the security interest of Shares held by each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (10) Such Shares were held by Technology Investment HK. Hubei Science & Technology Investment held 100% equity interest in Technology Investment HK. Under the SFO, Hubei Science & Technology Investment was deemed to be interested in all the Shares held by Technology Investment HK.
- (11) China International Capital Corporation Hong Kong Securities Limited owned security interest in such Shares. China International Capital Corporation (Hong Kong) Limited held 100% equity interest in China International Capital Corporation Hong Kong Securities Limited. Under the SFO, China International Capital Corporation (Hong Kong) Limited was deemed to be interested in the security interest of Shares held by China International Capital Corporation Hong Kong Securities Limited.
- (12) China International Capital Corporation Limited held 100% equity interest in China International Capital Corporation (Hong Kong) Limited, which in turn held 100% equity interest in China International Capital Corporation Hong Kong Securities Limited. Under the SFO, China International Capital Corporation Limited was deemed to be interested in the security interest of Shares held by China International Capital Corporation Hong Kong Securities Limited.

Save as disclosed above, as at 30 June 2020, the Directors have not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions of 5% or more in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of the Shareholders 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 its corporate governance practices. During the Reporting Period, the Company has complied with the principles and code provisions of the CG Code, except for the deviation from Code Provision A.2.1.

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

After Mr. Xie Qinghua was appointed as a co-chairman on 8 May 2020, the Company has 2 chairmen. As co-chairmen, Mr. Huang Liping and Mr. Xie Qinghua jointly lead and supervise the management of the board of directors and concentrate on guiding the implementation of the Group's operation and management. Mr. Huang Liping and Mr. Xie Qinghua jointly undertake and perform their duties as chairmen under the Corporate Governance Code and the Listing Rules, including to ensure 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. They also take the lead to ensure that the Board acts in the best interests of the Company and that there is effective communication with the Shareholders of the Company and that their views are communicated to the Board.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had 6,239 employees in Mainland China and Hong Kong. For the six months ended 30 June 2020, the staff cost of the Group was approximately RMB254.1 million.

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

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

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

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code. The Audit Committee comprises three members, namely Mr. Qiu Hongsheng (independent non-executive Director), Mr. Qi Min (independent non-executive Director) and Ms. Wang Qiuju (non-executive Director). The Audit Committee has reviewed together with the management and the independent auditor the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2020.

On behalf of the Board

China Electronics Optics Valley Union Holding Company Limited

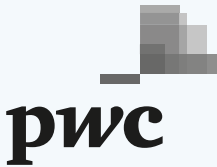
Huang Liping Xie Qinghua

Co-chairman

Wuhan, the PRC

21 August 2020

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA ELECTRONICS OPTICS VALLEY UNION HOLDING COMPANY LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 71, which comprises the interim condensed consolidated statement of financial position of China Electronics Optics Valley Union Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2020

Interim Condensed Consolidated Statement of Profit or Loss

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	6	923,241	1,143,047
Cost of sales		(681,240)	(762,842)
Gross profit		242,001	380,205
Other income and other gains – net	7	28,723	104,748
Selling and distribution expenses		(46,802)	(54,281)
Administrative expenses		(140,030)	(184,111)
Other expenses		(767)	(121)
Net (losses)/reversal of impairment on financial and contract assets		(9,179)	2,831
Operating profit before changes in fair value of investment properties		73,946	249,271
Fair value gains on investment properties	13	117,677	40,670
Operating profit after changes in fair value of investment properties		191,623	289,941
Finance income	8	23,996	47,907
Finance costs	8	(87,094)	(100,241)
Net finance costs		(63,098)	(52,334)
Share of profits/(losses) of associates	14	544	(30,279)
Share of profits of joint ventures	15	39,302	12,691
Profit before income tax		168,371	220,019
Income tax expense	9	(65,417)	(101,478)
		102,954	118,541
Profit attributable to:			
– Owners of the Company		120,104	141,209
– Non-controlling interests		(17,150)	(22,668)
Profit for the period		102,954	118,541
Basic and diluted earnings per share (RMB cents)	11	1.59	1.85

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period	102,954	118,541
Other comprehensive income Items that may be reclassified subsequently to profit or loss: – Currency translation differences	(1,046)	(8,174)
Other comprehensive income for the period, net of tax	(1,046)	(8,174)
Total comprehensive income for the period	101,908	110,367
Attributable to:		
– Owners of the Company	119,058	133,035
– Non-controlling interests	(17,150)	(22,668)
Total comprehensive income for the period	101,908	110,367

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	441,219	440,962
Right-of-use assets		69,742	73,850
Investment properties	13	4,063,064	3,651,261
Intangible assets		36,389	35,834
Investments in associates	14	1,554,879	1,554,483
Investments in joint ventures	15	221,893	182,591
Financial assets at fair value through profit or loss	5	307,926	307,926
Trade and other receivables	19	75,666	82,367
Deferred income tax assets		76,294	59,396
		6,847,072	6,388,670
Current assets			
Properties under development	16	2,608,505	2,508,986
Completed properties held for sale	17	3,215,505	3,066,529
Inventories	18	74,576	70,020
Trade and other receivables	19	1,640,991	1,857,070
Prepaid income taxes		36,567	–
Financial assets at fair value through profit or loss	5	134,800	75,000
Contract assets	22	1,584,366	1,605,396
Deposits in banks with original maturities over three months		141,762	41,226
Restricted cash	20	336,006	349,146
Cash and cash equivalents	21	1,613,059	1,653,463
		11,386,137	11,226,836
Current liabilities			
Contract liabilities	22	155,869	337,243
Trade and other payables	23	3,329,772	3,462,790
Corporate bonds	24	1,349,643	1,280,239
Bank and other borrowings	25	2,955,724	1,911,461
Lease liabilities		69,073	69,692
Dividends payable		172,500	–
Current income tax liabilities		300,332	364,928
Current portion of deferred income		15,748	11,944
		8,348,661	7,438,297

Interim Condensed Consolidated Statement of Financial Position (Continued)

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Net current assets		3,037,476	3,788,539
Total assets less current liabilities		9,884,548	10,177,209
Non-current liabilities			
Bank and other borrowings	25	1,205,049	1,538,039
Lease liabilities		497,821	496,976
Deferred income tax liabilities		466,789	442,412
Non-current portion of deferred income		141,736	107,491
		2,311,395	2,584,918
Net assets		7,573,153	7,592,291
Equity			
Share capital	26	623,048	623,048
Treasury shares	26	(121,056)	(121,056)
Reserves		2,896,687	2,897,733
Retained earnings		3,156,123	3,208,519
Total equity attributable to owners of the Company		6,554,802	6,608,244
Non-controlling interests		1,018,351	984,047
Total equity		7,573,153	7,592,291
Total equity and non-current liabilities		9,884,548	10,177,209

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The interim condensed financial information on pages 38 to 71 were approved by the Board of Directors on 21 August 2020 and were signed on its behalf.

Huang Liping
Director

Xie Qinghua
Director

Interim Condensed 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			Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
					Revaluation reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000					
At 1 January 2020	623,048	(121,056)	1,855,942	41,317	49,772	413,432	537,270	2,897,733	3,208,519	6,608,244	984,047	7,592,291
Total comprehensive income for the period ended 30 June 2020	-	-	-	(1,046)	-	-	-	(1,046)	120,104	119,058	(17,150)	101,908
Transactions with non-controlling interest												
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	55,054	55,054
Dividends	-	-	-	-	-	-	-	-	(172,500)	(172,500)	(3,600)	(176,100)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	(172,500)	(172,500)	51,454	(121,046)
Balance at 30 June 2020	623,048	(121,056)	1,855,942	40,271	49,772	413,432	537,270	2,896,687	3,156,123	6,554,802	1,018,351	7,573,153

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

Note	Attributable to owners of the Company											
	Share capital	Treasury shares	Share premium	Exchange reserve	Property Revaluation reserve	Statutory reserve	Other reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	626,839	(132,417)	2,034,552	35,669	49,772	384,456	546,979	3,051,428	2,668,223	6,214,073	846,997	7,061,070
Total comprehensive income for the period ended 30 June 2019	-	-	-	(8,174)	-	-	-	(8,174)	141,209	133,035	(22,668)	110,367
Transactions with non-controlling interest												
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	53,860	53,860
Transaction with non-controlling shareholder	-	-	-	-	-	-	(3,973)	(3,973)	-	(3,973)	(2,628)	(6,601)
Dividends	11	-	(156,279)	-	-	-	-	(156,279)	-	(156,279)	-	(156,279)
Cancellation of shares	27	(3,791)	15,761	(11,970)	-	-	-	(11,970)	-	-	-	-
Repurchase of shares	27	-	(4,317)	-	-	-	-	-	-	(4,317)	-	(4,317)
Total transactions with owners, recognised directly in equity	(3,791)	11,444	(168,249)	-	-	-	(3,973)	(172,222)	-	(164,569)	51,232	(113,337)
Balance at 30 June 2019	623,048	(120,973)	1,866,303	27,495	49,772	384,456	543,006	2,871,032	2,809,432	6,182,539	875,561	7,058,100

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash used in operations		(363,175)	(19,555)
Income tax paid		(156,695)	(52,867)
Cash flows used in operating activities		(519,870)	(72,422)
Cash flows from investing activities			
Investments in associates	14	–	(13,713)
Purchase of property, plant and equipment		(48,293)	(49,537)
Proceeds from disposal of property, plant and equipment		3,953	5,435
Purchase of intangible assets		(2,611)	(20,073)
Proceeds used in construction of investment properties		(56,832)	(40,570)
Proceeds from disposal of investment properties		–	7,844
Proceeds from disposal of financial assets at fair value through profit or loss		481,550	23,889
Proceeds from disposal of investment in associates		44,000	40,000
Proceeds from de-registration of an associate		260	–
Purchase of financial assets at fair value through profit or loss		(541,350)	(189,644)
Loans to related parties and third parties		(263,429)	(96,000)
Loans repaid from related parties and third parties		345,392	300,828
Interest received		23,313	47,166
Cash flows (used in)/generated from investing activities		(14,047)	15,625

Interim Condensed Consolidated Statement of Cash Flows (Continued)

		Unaudited	
		Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Capital injection by non-controlling interests		55,054	53,860
Repurchase of shares	26	–	(4,317)
Proceeds from bank and other borrowings		1,772,400	1,275,600
Proceeds from issue of corporate bonds	24	500,000	450,000
Repayment of bank and other borrowings		(1,065,810)	(869,013)
Repayment of corporate bonds	24	(450,000)	(440,000)
Repayment of loans due to related parties		(40,000)	–
Increase in restricted cash	20	(30,551)	(238,330)
Increase in deposits in banks with original maturities over three months		(100,536)	(75,446)
Acquisition of shares in subsidiaries held by non-controlling interests		–	(6,600)
Principal elements of lease payments		(37,305)	(31,868)
Interest paid		(108,454)	(112,629)
Cash flows generated from financing activities		494,798	1,257
Net decrease in cash and cash equivalents		(39,119)	(55,540)
Cash and cash equivalents at beginning of the period		1,653,463	1,927,200
Effect of foreign exchange rate changes		(1,285)	(1,675)
Cash and cash equivalents at end of the period		1,613,059	1,869,985

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



Notes to the Interim Financial Information

1 GENERAL INFORMATION

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited.

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

The interim financial information was approved for issue 21 August 2020 and has been reviewed, not audited.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industrial parks development and operation industry including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group. As at the date that the interim condensed consolidated financial information is authorised for issue, COVID-19 doesn't have any material adverse impact on the financial position and operating result of the Group.

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with International Accounting Standards (“IAS”) 34, ‘Interim financial reporting’, issued by the International Accounting Standards Board (“IASB”). The interim financial information does not include all the notes normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (the “IFRS”) and disclosure requirements under the Hong Kong Companies Ordinance; and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to IFRS16 set out below, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 ACCOUNTING POLICIES (Continued)

(a) *New and amended standards adopted by the Group (Continued)*

The Group has early adopted Amendment to IFRS 16-Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions of RMB9,680,000 and RMB690,000 have been accounted for as negative variable lease payments and recognised in other gains and administrative expenses in the statement of profit or loss for the six months ended 30 June 2020, respectively, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

(b) *The following new and amended standards that have been issued but not effective for the financial year beginning on 1 January 2020 and have not been early adopted*

		Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to IFRS standards 2018-2020	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

4 JUDGEMENTS AND ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

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

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

(b) Liquidity risk

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

For the six months ended 30 June 2020

	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	4,160,773	4,516,248	3,096,679	804,962	333,875	280,732
Corporate bonds	1,349,643	1,395,967	1,395,967	-	-	-
Lease liabilities	566,894	1,013,710	103,679	101,233	262,904	545,894
Trade and other payables (excluded receipts in advance and payroll)	3,002,133	3,038,722	3,038,722	-	-	-
Dividends payable	172,500	172,500	172,500	-	-	-
	9,251,943	10,137,147	7,807,547	906,195	596,779	826,626

For the year ended 31 December 2019

	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	3,449,500	3,820,799	2,070,938	992,321	524,836	232,704
Corporate bonds	1,280,239	1,316,977	1,316,977	-	-	-
Lease liabilities	566,668	1,025,559	100,877	101,233	325,846	497,603
Trade and other payables (excluded receipts in advance and payroll)	3,403,261	3,421,828	3,421,828	-	-	-
	8,699,668	9,585,163	6,910,620	1,093,554	850,682	730,307

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 30 June 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets valued at fair value through profit or loss				
– Equity securities	–	–	307,926	307,926
– Wealth management products	–	–	134,800	134,800
	–	–	442,726	442,726

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets valued at fair value through profit or loss				
– Equity securities	–	–	307,926	307,926
– Wealth management products	–	–	75,000	75,000
	–	–	382,926	382,926

There were no changes in valuation techniques during the period.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value estimation (Continued)

Fair value measurements using significant unobservable input (Level 3)

	Financial assets at fair value through profit or loss Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Opening balance at 31 December 2019	382,926	265,627
Additions	541,350	189,644
Fair value changes	–	82,157
Disposals	(481,550)	(20,500)
Closing balance at 30 June 2020	442,726	516,928
Includes unrealized gains recognised in profit or loss attributable to balances held at the end of the reporting period	–	82,157

6 SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). The Group had identified three segments, namely rental and sales of industrial parks, industrial park operation services and industrial investment. At 30 June 2020, the Group has the following three segments:

- Rental and sales of industrial parks (formally named as “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 six months ended 30 June 2020 according to IFRS 8.

(a) Segment results

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

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

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

6 SEGMENT INFORMATION (Continued)

(a) Segment results (Continued)

For the six months ended 30 June 2020

	Rental and sales of industrial parks RMB'000	Industrial park operation services RMB'000	Industrial investment RMB'000	Total RMB'000
Segment revenue	442,853	719,685	–	1,162,538
– Recognition at point in time	266,163	31,027	–	297,190
– Recognition over time	176,690	688,658	–	865,348
Inter-segment revenue	(5,866)	(233,431)	–	(239,297)
Revenue from external customers	436,987	486,254	–	923,241
Segment results	126,640	860	(3,176)	124,324

For the six months ended 30 June 2019

	Rental and sales of industrial parks RMB'000	Industrial park operation services RMB'000	Industrial investment RMB'000	Total RMB'000
Segment revenue	515,976	938,956	–	1,454,932
– Recognition at point in time	394,882	29,008	–	423,890
– Recognition over time	121,094	909,948	–	1,031,042
Inter-segment revenue	(1,917)	(309,968)	–	(311,885)
Revenue from external customers	514,059	628,988	–	1,143,047
Segment results	226,429	57,816	10,043	294,288

6 SEGMENT INFORMATION (Continued)

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue		
Segment revenue	1,162,538	1,454,932
Elimination of inter-segment revenue	(239,297)	(311,885)
Revenue	923,241	1,143,047
Profits		
Segment results derived from the Group's external customers	124,324	294,288
Fair value gains on investment properties	117,677	40,670
Share of profits/(losses) of associates	544	(30,279)
Share of profit of joint ventures	39,302	12,691
Finance income	23,996	47,907
Finance costs	(87,094)	(100,241)
Depreciation and amortisation	(50,378)	(45,017)
Income tax expense	(65,417)	(101,478)
Profit for the period	102,954	118,541

7 OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Fair value gains on financial assets at fair value through profit of loss	–	82,157
Government grants	16,940	11,167
Gain on COVID-19 related rent concessions	9,680	–
Gain on de-registration of an associate	112	–
Gain on disposal of investment properties	–	6,147
Gain on disposal of financial assets at fair value through profit of loss	–	3,389
Net gains/(losses) on disposal of property, plant and equipment	93	(12)
Others	1,898	1,900
	28,723	104,748

8 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(a) Finance costs:		
Finance income:		
Interest income	21,539	17,694
Interest income from entrusted loans to associates (Note 29 (b)(ii))	–	28,836
Income from wealth management products	1,774	889
Net foreign exchange gains	683	488
Sub-total	23,996	47,907
Finance costs:		
Interest expenses of bank and other borrowings	(149,594)	(167,241)
Interest expenses on leasing liabilities	(12,897)	(9,377)
Capitalised interest expenses	75,397	76,377
Sub-total	(87,094)	(100,241)
Net finance costs	(63,098)	(52,334)

8 PROFIT BEFORE INCOME TAX (Continued)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	250,126	234,709
Contributions to defined contribution retirement schemes	3,932	15,044
	254,058	249,753

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(c) Other items:		
Depreciation	48,286	44,156
Amortisation	2,092	861
Cost of properties sold	187,797	204,904
Cost of construction and goods sold	173,345	235,876
Rentals income from investment properties	(98,492)	(90,186)

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax		
PRC Corporate Income Tax ("CIT")	31,646	48,579
PRC Land Appreciation Tax ("LAT")	23,886	48,437
	55,532	97,016
Deferred income tax	9,885	4,462
	65,417	101,478

9 INCOME TAX EXPENSE (Continued)

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

No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax for the period (six months ended 30 June 2019: nil).

(ii) PRC CIT

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

(iii) PRC LAT

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

10 DIVIDENDS

The board of directors does not recommend the distribution of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB120,104,000 (six months ended 30 June 2019: RMB141,209,000). The weighted average number of ordinary shares (excluding treasury stocks) for the six months ended 30 June 2020 is approximately 7,574,352,000 (six months ended 30 June 2019: 7,646,905,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2020 and the six months ended 30 June 2019 and therefore, diluted earnings per share equals to basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beginning of the period	440,962	454,026
Additions	48,293	49,537
Disposals	(3,860)	(5,447)
Depreciation	(44,176)	(39,507)
End of the period	441,219	458,609

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

13 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beginning of the period	3,651,261	3,031,312
Transfer from completed properties held for sale	210,561	65,135
Additions related to new subleasing contracts	26,733	–
Other additions	56,832	40,570
Fair value gains	117,677	40,670
Disposals	–	(1,697)
End of the period	4,063,064	3,175,990

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

13 INVESTMENT PROPERTIES (Continued)

The Group's investment properties carried at fair value were revalued as at transfer date and at 30 June 2020 by Cushman & Wakefield International properties Advisers ("C&W"), an independent firm of surveyors. During the period ended 30 June 2020, a total gain of RMB117,677,000 (six months ended 30 June 2019: RMB40,670,000), and deferred tax thereon of RMB29,419,000 (six months ended 30 June 2019: RMB10,168,000), were recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

As at 30 June 2020, except for those property interests held under operating leases that were classified and accounted for as investment properties from adoption of IFRS 16, certain other investment properties of the Group with carrying value of RMB345,000,000 (31 December 2019: RMB500,058,000), were without building ownership certificate and the Group was in progress of obtaining the relevant building ownership certificate.

14 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beginning of the period	1,554,483	1,517,876
Additions	–	13,713
Share of post-tax profits/(losses) of associates	544	(30,279)
Disposals	–	(3,000)
De-registration of an associate	(148)	–
End of the period	1,554,879	1,498,310

List of major associates as at 30 June 2020 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	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB1,600,000,000	20%
CLP zhongjin (Xiamen) Intelligent Industry Equity Investment Fund Partnership	PRC, limited liability company	PRC, property development	RMB843,600,000	27%

15 INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beginning of the period		
Share of post-tax profits of joint ventures	182,591	190,117
	39,302	12,691
End of the period	221,893	202,808

16 PROPERTIES UNDER DEVELOPMENT

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

	At 30 June	At 31 December
	2020 RMB'000	2019 RMB'000
Expected to be completed for sale within one year		
Properties under development for sale	663,715	1,126,840
Expected to be completed for sale after more than one year		
Properties under development for sale	1,944,790	1,382,146
	2,608,505	2,508,986

17 COMPLETED PROPERTIES HELD FOR SALE

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

18 INVENTORIES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Work in progress	9,975	8,579
Finished goods	63,428	60,214
Raw materials	1,173	1,227
	74,576	70,020

19 TRADE AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current portion		
Trade receivables (Note (i))	539,576	682,246
Notes receivables (Note (i))	10,445	18,761
Other amounts due from related parties (Note 29(c))	718	4,337
Deposits receivable	46,667	27,028
Prepayments for construction cost and raw materials	130,131	138,700
Consideration receivable on disposal of an associate	–	44,000
Loans to related parties (Note 29 (c))	44	35,939
Loans to third parties	648,274	694,342
Prepaid turnover tax and other taxes	91,560	50,086
Others	208,579	198,726
Less: loss allowance provision	(35,003)	(37,095)
	1,640,991	1,857,070
Non-current portion		
Loans to a third party	81	80
Receivables from finance leases	70,946	77,738
Loans to related parties (Note 29 (c))	4,639	4,549
	75,666	82,367
Total	1,716,657	1,939,437

19 TRADE AND OTHER RECEIVABLES (Continued)

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	98,038	270,920
1 to 3 months	173,129	106,729
3 to 6 months	20,125	26,214
Over 6 months	248,284	278,383
	539,576	682,246

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

20 RESTRICTED CASH

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Pledged for:		
– Interest-bearing loans	144,818	153,225
– Supervision accounts for construction of pre-sale properties	24,508	68,199
– Letter of guarantee	145,968	105,808
– Mortgage	19,212	21,225
– Others	1,500	689
Total	336,006	349,146

21 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash in hand	209	187
Cash at bank	1,566,836	1,502,707
Other cash deposited in a related party's financial institution (Note 29(c))	46,014	150,569
Cash and cash equivalents	1,613,059	1,653,463

22 CONTRACT ASSETS AND CONTRACT LIABILITIES

Details of contract assets are as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current contract assets related to sales of properties	329,491	438,144
Current contract assets related to construction services	1,318,289	1,219,512
Current contract acquisition costs	986	870
Loss allowance	(64,400)	(53,130)
Total contract assets	1,584,366	1,605,396
Contract liabilities relating to property development contracts	155,869	337,243

23 TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade creditors and bills payable	2,344,023	2,316,401
Loans due to third parties	269,445	269,445
Loans due to a related party (Note 29(c))	–	40,000
Other amounts due to related parties (Note 29(c))	96,015	95,233
Construction guaranteed deposits payable	236,380	189,549
Accrued payroll	18,896	59,529
Interests payable	37,374	33,174
Other payables and accruals	327,639	459,459
Total	3,329,772	3,462,790

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	422,005	1,450,333
1 to 12 months	1,333,933	696,094
Over 12 months	588,085	169,974
	2,344,023	2,316,401

24 CORPORATE BONDS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
As at 1 January	1,280,239	1,864,924
Net proceeds from bonds issued during the period	500,000	450,000
Interests and issue cost amortised during the period	36,940	64,981
Interests paid during the period	(17,536)	(24,041)
Principal paid during the period	(450,000)	(440,000)
As at 30 June	1,349,643	1,915,864
Representing:		
Current portion	1,349,643	1,121,763
Non-current portion	–	794,101

25 BANK AND OTHER BORROWINGS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current		
Secured		
– Current portion of non-current bank borrowings	823,200	707,400
	823,200	707,400
Unsecured		
– Bank borrowings	1,866,500	966,500
– Current portion of non-current bank borrowings	266,024	237,561
	2,132,524	1,204,061
	2,955,724	1,911,461
Non-current		
Secured		
– Bank borrowings	1,847,890	2,245,439
Less: Current portion of non-current bank borrowings	(823,200)	(707,400)
	1,024,690	1,538,039
Unsecured		
– Bank borrowings	446,383	237,561
Less: Current portion of non-current bank borrowings	(266,024)	(237,561)
	180,359	–
	1,205,049	1,538,039

25 BANK AND OTHER BORROWINGS (Continued)

The bank and other borrowings bear interest ranging from 2.15% to 6.90% per annum for the six months ended 30 June 2020 (year ended 31 December 2019: from 2.15% to 6.90%).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2020, none of the covenants relating to drawn down facilities had been breached (2019: nil).

26 SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated on 15 July 2013 with authorised capital of 100,000 shares at HK\$0.10 per share. As part of the reorganization in year 2016, the authorised capital of the Company was increased to HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each.

Movements of the Company's ordinary shares are set out below:

	At 30 June 2020			At 31 December 2019		
	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	7,574,352	623,048	(121,056)	7,618,212	626,839	(132,417)
Shares repurchased for cancellation	–	–	–	–	–	(4,400)
Shares cancelled	–	–	–	(43,860)	(3,791)	15,761
At the end of the period	7,574,352	623,048	(121,056)	7,574,352	623,048	(121,056)

As at 30 June 2020, the treasury shares amounting to 152,998,000 shares (31 December 2019: 152,998,000 shares) were all for a share award scheme purpose (31 December 2019: the same).

27 CAPITAL COMMITMENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted but not provided for – Properties development expenditure	1,225,673	1,079,840

28 CONTINGENT LIABILITIES

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

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	643,850	520,592

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

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

29 RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Wages, salaries and other benefits	10,392	8,547
Retirement scheme contributions	120	157
	10,512	8,704

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

29 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.

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(i) Joint ventures		
Business operation service	–	4,758
(ii) Associates		
Loans provided by associates	1,965	–
Loans provided to associates	–	86,000
Interest income from entrusted loans to associates	–	28,836
(iii) Major shareholders		
Cash deposited in major shareholder's financial institution	1,736,444	126,356
Operating lease paid	7,271	7,059
Acquisition of investment properties	–	26,802
Loans provided by major shareholder's financial institution	1,130,000	200,000
Interest expense	12,674	–

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

29 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
(i) Joint ventures		
Loans receivable	44	108
Other amounts receivable	674	675
Trade and other payables	–	327
(ii) Associates		
Loans receivable	–	35,831
Loans payable	–	40,000
Other amounts receivables	–	3,618
Other amounts payable	52,121	51,857
(iii) Major shareholder		
Cash deposited in major shareholder's financial institution	46,014	150,569
Loans receivable	4,639	4,549
Other amounts receivable	44	44
Other amounts payable	43,894	43,049
Lease liabilities	66,686	73,400
Borrowing from major shareholder's financial institution	800,000	200,000



Definitions

“AAA Finance”	AAA Finance and Investment Holdings Limited, a limited liability company incorporated in the BVI on 10 July 2013 which is wholly-owned by Mr. Huang Liping, one of the Company’s substantial Shareholders
“associates” or “close associates”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CEC”	China Electronics Corporation Limited* (中國電子信息產業集團有限公司), a state-owned company established under the laws of the PRC and the ultimate controlling shareholder of CE Huada Technology
“CEC Technology”	China Electronics Technology Development Co., Ltd* (中國電子科技開發有限公司), a company established under the laws of the PRC and a non wholly-owned subsidiary of the Company
“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
“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
“Financial Control Committee”	the financial control committee of the Company
“Group”	the Company and its subsidiaries
“Hainan Software Community”	Hainan Resort Software Community Group Co., Ltd.* (海南生態軟件園集團有限公司), a limited liability company incorporated in the PRC on 6 November 2008 and a 20% owned company of CEC Technology

“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Science & Technology Investment”	Hubei Science & Technology Investment Group Co., Ltd.* (湖北省科技投資集團有限公司), a limited liability company incorporated in the PRC on 28 July 2005 and a substantial Shareholder of the Company
“Lidao BVI”	Lidao Investment Limited, a limited liability company incorporated in the BVI on 10 July 2013, which is wholly-owned by Mr. Huang Liping, one of the Company’s substantial Shareholders
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Remuneration Committee”	the remuneration committee of the Company
“Renminbi” or “RMB”	the lawful currency of China
“Reporting Period”	the 6-month period from 1 January 2020 to 30 June 2020
“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
“Share(s)”	ordinary share(s) of HKD0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technology Investment HK”	Hubei Science & Technology Investment Group (Hong Kong) Company Limited (湖北省科技投資集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 11 July 2013 and a substantial Shareholder of the Company
“Quanpai Catering”	Wuhan Quanpai Catering Management Co., Ltd.* (武漢全派餐飲管理有限公司), a limited liability company incorporated in the PRC on 7 June 2011, and an indirect subsidiary of the Company



Definitions (Continued)

“Wuhan Optics Valley Union”	Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司, formerly known as 武漢光谷聯合股份有限公司), a limited liability company incorporated in the PRC on 24 July 2000 and a wholly-owned subsidiary of OVU, and an indirect subsidiary of the Company
“OVU”	Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司), formerly known as 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 China Electronics Optics Valley Union Holding Company Limited, and an indirect subsidiary of the Company
“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
“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

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