THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Electronics Corporation Holdings Company Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company or Optics Valley Union Holding Company Limited.

CEC
中国电子
CHINA ELECTRONICS

CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED
中國電子集團控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00085)

(1) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN CEC TECHNOLOGY; (2) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE SUBSCRIPTION OF NEW OVU SHARES; AND (3) RE-ELECTION OF DIRECTORS

Financial adviser to the Company

大有融資有限公司
MESSIS CAPITAL LIMITED

A notice convening a special general meeting of the Company to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 11 March 2016 at 4:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

19 February 2016

* *For identification purpose only*

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BVI 3A"	AAA Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of OVU
"Board"	the board of Directors
"Business Day"	means a day (other than a Saturday, Sunday and Public Holiday) on which licensed banks are open for business in Hong Kong
"CEC"	China Electronics Corporation Limited (中國電子信息產業集團有限公司), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
"CEC Beihai"	China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of CEC Technology
"CEC Finance"	China Electronics Financial Co., Ltd (中國電子財務有限責任公司), a company established under the laws of the PRC and a 42% directly-owned subsidiary of CEC
"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 directly wholly-owned subsidiary of the Company as at the Latest Practicable Date
"CEC Technology Group"	CEC Technology and its subsidiaries
"CEC Xi'an"	China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司), a company established under the laws of the PRC and a 73.91% directly-owned subsidiary of CEC Technology
"CECH Subscription"	the subscription for the CECH Subscription Shares by the Company pursuant to the terms of the CECH Subscription Agreement

"CECH Subscription Agreement"	the subscription agreement dated 14 December 2015 and entered into between OVU and the Company in respect of the CECH Subscription
"CECH Subscription Completion"	the completion of the CECH Subscription
"CECH Subscription Conditions"	the conditions precedent of the CECH Subscription
"CECH Subscription Share(s)"	1,491,469,917 new OVU Shares to be subscribed for by the Company under the CECH Subscription
"CECM"	China Electronics Corporation Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Charge Over Deposits"	the charge over deposits dated 16 July 2015 entered into by CECM in favour of Xiamen Bank in respect of the liabilities and obligations of CEC Technology in respect of the loans granted to it from Xiamen Bank from time to time
"Company"	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
"Completion"	together, the Equity Transfer Completion, the CECH Subscription Completion and the Placing Completion
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration Price"	HK$0.8 per Consideration Share
"Consideration Share(s)"	1,058,530,083 new OVU Shares to be issued by OVU to the Company upon the Equity Transfer Completion
"DTZ"	DTZ Debenham Tie Leung Limited, an independent property valuer
"Directors"	the directors of the Company
"Enlarged Group"	the Group immediately after the Completion

"Entrusted Loan Agreements"	the entrusted loan agreements entered into between CEC Finance and CEC Technology Group in relation to the Entrusted Loans
"Entrusted Loans"	the entrusted loans in an aggregate outstanding principal amount of RMB589 million (equivalent to approximately HK$713 million) provided by the Company to CEC Technology Group through CEC Finance as the lending agent as at the Latest Practicable Date
"Equity Interest Transfer Agreement"	the equity interest transfer agreement dated 14 December 2015 entered into between the Company, OVU and HK 3A in respect of the Equity Transfer
"Equity Transfer"	the transfer of 100% of the equity interest in CEC Technology from the Company to HK 3A pursuant to the terms of the Equity Interest Transfer Agreement
"Equity Transfer Completion"	the completion of the Equity Transfer
"Equity Transfer Conditions"	the conditions precedent of the Equity Transfer
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK 3A"	AAA Finance & Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of OVU
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huada Electronics"	CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company
"Huada Semiconductor"	Huada Semiconductor Co., Ltd (華大半導體有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of CEC and a controlling shareholder of the Company

"Last Trading Day"	14 December 2015, being the last day on which the OVU Shares were traded on the Stock Exchange prior to the entry of the Equity Interest Transfer Agreement and the CECH Subscription Agreement
"Latest Practicable Date"	12 February 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Committee"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Messis Capital"	Messis Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Equity Transfer and the CECH Subscription
"OVU"	Optics Valley Union Holding Company Limited (光谷聯合控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"OVU Board"	the board of directors of OVU
"OVU EGM"	the extraordinary general meeting of OVU to be held to approve, among other things, the Equity Transfer, the CECH Subscription, the Placing, the Specific Mandate and the Whitewash Waiver
"OVU Group"	OVU and its subsidiaries
"OVU Independent Shareholders"	shareholders of OVU other than those (and their respective associates and the parties acting in concert with them) who are involved or interested in, among other things, the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the granting of the Specific Mandate, the Whitewash Waiver and the certain transactions to be entered into between CEC Technology Group and the Group upon Completion that would constitute non-exempt continuing connected transactions of OVU

"OVU Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of OVU
"PRC"	the People's Republic of China
"Placing"	the placing of 1,450,000,000 new OVU Shares at the price of HK$0.8 per OVU Shares, on a fully underwritten basis, pursuant to the terms of the placing agreement dated 14 December 2015 entered into between OVU and China Everbright Securities (HK) Limited as the placing agent
"Placing Completion"	the completion of the Placing
"Placing Conditions"	the conditions precedent of the Placing
"Placing Share(s)"	1,450,000,000 new OVU Shares to be issued by OVU pursuant to the Placing
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve (i) the Equity Interest Transfer Agreement and the transactions contemplated thereunder; (ii) the CECH Subscription Agreement and the transactions contemplated thereunder; and (iii) the re-election of Directors
"Share Charge"	a deed of share charge to be entered into by BVI 3A in favour of CECM upon the Equity Transfer Completion pursuant to which OVU shall charge 375,118 shares of HK 3A, representing approximately 31.51% of the issued share capital of HK 3A to CECM in respect of the Charge Over Deposits and the Entrusted Loans
"Shareholder(s)"	shareholder(s) of the Company
"Shares"	shares of HK$0.01 each in the share capital of the Company

"Specific Mandate"	a specific mandate to allot, issue or otherwise deal in additional OVU Shares to be sought from the OVU Independent Shareholders at the OVU EGM to satisfy the allotment and issue of the Consideration Shares upon the Equity Transfer Completion, the CECH Subscription Shares upon the CECH Subscription Completion and the Placing Shares upon the Placing Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.8 per CECH Subscription Share
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on Dispensations to Rule 26 of the Takeovers Code in respect of the obligation of the Company to make a mandatory general offer for all of the issued OVU Shares and other relevant securities of OVU not already owned or agreed to be acquired by the Company or parties acting in concert with it which would, if the Equity Transfer and the CECH Subscription proceed, otherwise arise as a result of the allotment and issue of the Consideration Shares upon the Equity Transfer Completion and the CECH Subscription Shares upon the CECH Subscription Completion to the Company
"Xiamen Bank"	Xiamen International Bank Co., Ltd
"Xiamen Loans"	loans under the facility agreement dated 1 January 2015 and supplemented on 25 September 2015 entered into between Xiamen Bank and CEC Technology
"%"	per cent.

For the purpose of this circular, unless otherwise specified, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK$1.21. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

For ease of reference only, the names of PRC established companies and entities have been included in this circular in both Chinese and English and the English names of these companies and entities are either English translations of their respective official Chinese names or English trade names used by them. In the event of any inconsistency between the English names and their respective Chinese names, the Chinese names shall prevail.

CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED
中國電子集團控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00085)

Non-executive Directors:
Dong Haoran *(Chairman)*
Jiang Juncheng

Executive Directors:
Ma Yuchuan *(Vice Chairman)*
Liu Hongzhou *(Managing Director)*

Independent Non-executive Directors:
Chan Kay Cheung
Qiu Hongsheng
Chow Chan Lum

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 3403, 34th Floor
China Resources Building
26 Harbour Road Wanchai
Hong Kong

19 February 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN CEC TECHNOLOGY; (2) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE SUBSCRIPTION OF NEW OVU SHARES; AND (3) RE-ELECTION OF DIRECTORS

INTRODUCTION

Reference is made to (a) the announcements of the Company dated 16 October 2015, 13 November 2015, 23 November 2015 and 14 December 2015 in relation to, among other things, the entry of the Equity Interest Transfer Agreement in respect of the Equity Transfer and the CECH Subscription Agreement in respect of the CECH Subscription; and (b) the announcement of the Company dated 19 January 2016 in relation to the changes of Directors.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) information on the Equity Transfer and the CECH Subscription; (ii) financial information of the Group; (iii) financial information of the OVU Group; (iv) unaudited pro forma financial information of the Enlarged Group; (v) property valuation report; (vi) information on the re-election of Directors; and (vii) the notice of SGM.

THE EQUITY INTEREST TRANSFER AGREEMENT

On 14 December 2015 (after trading hours), the Company (as vendor) entered into the Equity Interest Transfer Agreement with OVU and HK 3A (an indirect wholly-owned subsidiary of OVU) (as purchasers). Set out below are the principal terms of the Equity Interest Transfer Agreement:

Date: 14 December 2015 (after trading hours)

Vendor: the Company

Purchasers: OVU and HK 3A

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, OVU, HK 3A and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Assets to be transferred

Pursuant to the Equity Interest Transfer Agreement, the Company has conditionally agreed to sell, and OVU and HK 3A have conditionally agreed to acquire, 100% of the equity interest in CEC Technology. Details of CEC Technology Group are set out in the section headed "Information on CEC Technology Group" below.

As at the Latest Practicable Date, CEC Technology is a wholly-owned subsidiary of the Company. Upon the Equity Transfer Completion, CEC Technology will cease to be a subsidiary of the Company and will become an indirect wholly-owned subsidiary of OVU.

Consideration for the Equity Transfer

Pursuant to the Equity Interest Transfer Agreement, the consideration for the Equity Transfer is RMB699,854,600 (equivalent to approximately HK$846 million), which shall be satisfied by the allotment and issue of the Consideration Shares, credited as fully paid, at the Consideration Price of HK$0.8 per Consideration Share.

The Consideration Shares represent (i) approximately 26.5% of the issued share capital of OVU of 4,000,000,000 OVU Shares as at the Latest Practicable Date; and (ii) approximately 13.2% of the issued share capital of OVU as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares and on the assumption that no further OVU Shares will be issued or repurchased prior to the Completion.

The Consideration Shares will be issued under the Specific Mandate to be approved by the OVU Independent Shareholders at the OVU EGM. Application will be made by OVU to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares.

Basis of determination of consideration

The consideration of the Equity Transfer was agreed between the Company and OVU after arm's length negotiations on normal commercial terms with reference to (i) the unaudited consolidated net asset value of CEC Technology Group as at 30 June 2015; (ii) the valuation of the relevant property interests held by CEC Technology Group conducted by DTZ for the purpose of the entering into the Equity Interest Transfer Agreement; (iii) the current operations of CEC Technology Group; and (iv) the business prospects of CEC Technology Group.

The Directors consider that the consideration of the Equity Transfer and the terms of the Equity Interest Transfer Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Charge Over Deposits, the Entrusted Loans and the Share Charge

On 16 July 2015, CECM, an indirect wholly-owned subsidiary of the Company, has entered into the Charge Over Deposits, pursuant to which CECM has provided security by way of bank deposits in favour of Xiamen Bank for the interest-bearing loans granted to CEC Technology up to a maximum amount of RMB1.0 billion (equivalent to approximately HK$1.2 billion). As at the Latest Practicable Date, the outstanding amount due from CEC Technology to Xiamen Bank amounted to RMB338 million (equivalent to approximately HK$409 million).

As at the Latest Practicable Date, the Company has provided the Entrusted Loans in the aggregate principal amount of RMB589 million (equivalent to approximately HK$713 million) to CEC Technology Group with CEC Finance acting as the lending agent. The Entrusted Loans bear interest at the rate of 7% per annum and shall be repaid by CEC Technology Group in October, November and December 2016.

As at the Latest Practicable Date, the aggregate principal amount of the loans from Xiamen Bank to CEC Technology under the Charge Over Deposits and the Entrusted Loans granted to CEC Technology Group amounted to RMB927 million (equivalent to approximately HK$1,122 million). The aggregate outstanding amount of such financial assistance will be not more than RMB1.2 billion (equivalent to approximately HK$1.5 billion) upon the Equity Transfer Completion.

Upon the Equity Transfer Completion, CEC Technology will become an indirect wholly-owned subsidiary of OVU and the Company will cease to hold any direct equity interest in CEC Technology. Pursuant to the Equity Interest Transfer Agreement, the Group will continue to provide such financial assistance in the form of the Charge Over Deposits and the Entrusted Loans granted to CEC Technology Group for a period of up to 1 year after the Equity Transfer Completion or 31 December 2016 (whichever is earlier) at a maximum aggregate amount of RMB1.2 billion (equivalent to approximately HK$1.5 billion). All the terms of the arrangement of the Charge Over Deposits and the Entrusted Loans will remain the same. Accordingly, the continuance of the Charge Over Deposits and the provision of the Entrusted Loans will constitute provision of financial assistance by the Group to CEC Technology Group under Chapter 14 of the Listing Rules.

In consideration of the Group continuing to provide the Charge Over Deposits and the Entrusted Loans in favour of CEC Technology Group after the Equity Transfer Completion, OVU Group shall (i) pay an interest in respect of the outstanding amount of loans drawn down by CEC Technology Group from Xiamen Bank under the Charge Over Deposits and the Entrusted Loans to the Group such that the aggregate interest payable by OVU Group to Xiamen Bank and the Group would be equal to the amount calculated at the rate of 7% per annum on the outstanding amount of such loans as from the date of the Equity Transfer Completion, and (ii) procure BVI 3A, a wholly-owned subsidiary of OVU, to enter into the Share Charge in favour of CECM, pursuant to which BVI 3A will charge 375,118 shares of HK 3A (representing approximately 31.51% of the issued share capital of HK 3A as at the Latest Practicable Date) in favour of CECM. The interest rate of 7% per annum is determined based on the Company's internal borrowing costs. In addition, in considering the value of the charged HK 3A shares, reference was made to, among other things, the average closing price of OVU Shares as quoted on the Stock Exchange over the 20 consecutive trading days immediately preceding the date of the Equity Interest Transfer Agreement with a 40% discount times the number of OVU Shares in issue upon Completion (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares) times the percentage of the said share capital of HK 3A being charged under the Share Charge, which shall not be less than RMB1.2 billion (equivalent to approximately HK$1.5 billion). The Share Charge was arrived at after arm's length negotiations between the Company and OVU. As at the Latest Practicable Date, OVU, an investment holding company, indirectly owns all HK 3A shares through BVI 3A and HK 3A in turn holds, both directly and indirectly, the majority of the business and assets of OVU Group. While there is no easily observable market value of the HK 3A shares, given such shareholding structure of OVU Group, the Board is of the view that the value of OVU Shares is an appropriate measurement in considering the value of the HK 3A shares, and the interests of the Company have been sufficiently secured against the financial assistance provided to CEC Technology Group.

Having considered that (i) the Share Charge could not be withdrawn unless such loans are fully repaid; (ii) the Xiamen Loans and the Entrusted Loans are interest bearing at the rate of 7% per annum; (iii) the continuance of the Charge Over Deposits and the Entrusted Loans are necessary for CEC Technology Group to maintain its normal operation; and (iv) upon the Equity Transfer Completion, the Company still holds an indirect equity interest in CEC Technology through its equity interest in OVU, the Board considers that the continuance of the Charge Over Deposits and the Entrusted Loans is on normal commercial terms, and is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Equity Transfer Completion

The Equity Transfer Completion is conditional upon the following Equity Transfer Conditions:

(a) the Equity Interest Transfer Agreement having been duly signed by the Company, OVU and HK 3A and taken full force and effect;

(b) the Company having obtained the Whitewash Waiver from the Executive and all conditions incidental to the Whitewash Waiver having been fulfilled;

(c) the Shareholders having approved (i) the Equity Transfer and (ii) the CECH Subscription by way of resolutions at the SGM;

(d) the necessary approval procedures in the PRC with regard to the Equity Transfer pursuant to the laws and regulations of the PRC having been completed;

(e) CEC Technology having applied for the industrial and commercial registration for the Equity Transfer and having received the acceptance notification from the relevant department under the State Administration for Industry and Commerce of the PRC;

(f) the Company having obtained all necessary consents from third parties in respect of the Equity Transfer (if any);

(g) the Company, CEC Technology Group, OVU and OVU Group not being engaged in or subject to litigation, arbitration, penalty or claims of material importance that may result in material adverse effect to the Company, CEC Technology Group, OVU and/or OVU Group, nor being engaged in any unsettled or pending litigation, arbitration, penalty or claims of material importance;

(h) in the reasonable knowledge of the Company, OVU and HK 3A, the Company, OVU and HK 3A not having breached the Equity Interest Transfer Agreement and having abided by all their respective obligations, responsibilities, commitments, representations, warranties and undertakings in relation to the Equity Interest Transfer Agreement on or before the Equity Transfer Completion;

(i) all representations and warranties made in respect of the Company and/or CEC Technology Group in the Equity Interest Transfer Agreement by the Company being true, accurate, complete and not misleading and without material omissions on or before the Equity Transfer Completion;

(j) there having been no material adverse change (save for that announced by OVU prior to the date of the Equity Interest Transfer Agreement) in CEC Technology Group or OVU Group from 30 June 2015 to the Equity Transfer Completion;

(k) the OVU Independent Shareholders having approved, among other things, the Equity Transfer, the CECH Subscription, the Placing, the Share Charge, the granting of the Specific Mandate and the certain transactions to be entered into between CEC Technology Group and the Group upon Completion that would constitute non-exempt continuing connected transactions of OVU at the OVU EGM;

(l) the OVU Independent Shareholders having approved the Whitewash Waiver;

(m) OVU having obtained the approval from the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in the Consideration Shares, the CECH Subscription Shares and the Placing Shares;

(n) OVU having obtained the consent of the Executive in relation to the Share Charge and the transactions contemplated thereunder as a special deal under Rule 25 of the Takeovers Code;

(o) all representations and warranties made in respect of OVU and/or OVU Group in the Equity Interest Transfer Agreement by OVU being true, accurate, complete and not misleading and without material omissions on or before the Equity Transfer Completion; and

(p) all the CECH Subscription Conditions and the Placing Conditions having been satisfied or waived (where applicable).

Neither the Company, OVU nor HK 3A shall have the right to waive the conditions set out in paragraphs (b), (c), (k), (l), (m) and (n) above. As at the Latest Practicable Date, the Company did not intend and was not aware of any intentions on the part of OVU or HK 3A to waive any of the Equity Transfer Conditions.

If the Equity Transfer Conditions have not been fulfilled or waived (other than (b), (c), (k), (l), (m) and (n) above) on or before the expiry of six months after the date of the Equity Interest Transfer Agreement (or such later date as the parties may agree in writing), then the Equity Interest Transfer Agreement shall terminate automatically (other than in respect of certain provisions having the effect of surviving the termination). In such event, none of the parties shall have any claim under the Equity Interest Transfer Agreement of any nature whatsoever against the other party except in respect of any rights and liabilities which have accrued before termination or under certain provisions having the effect of surviving the termination.

Ranking of the Consideration Shares

The Consideration Shares, when allotted and issued, shall rank equally in all respects with the OVU Shares in issue on the date of allotment and issue of the Consideration Shares. As confirmed by OVU, there will not be any new class of securities of OVU for which listing will be sought as a result of the Equity Transfer, the CECH Subscription and the Placing.

Compensation

The Company shall compensate OVU for actual losses suffered (including but not limited to expenses, depreciations and debts, other than losses caused by normal commercial risks) by OVU or CEC Technology Group after the Equity Transfer Completion if such losses are caused by circumstances pre-existing the Equity Transfer Completion.

Equity Transfer Completion

Each of the Equity Transfer, the CECH Subscription and the Placing is interconditional on each other. The Equity Transfer Completion shall take place simultaneously with the CECH Subscription Completion and the Placing Completion on the seventh Business Day after the satisfaction or waiver (where applicable) of all of the Equity Transfer Conditions, the CECH Subscription Conditions and the Placing Conditions or at such other time or date as the parties may agree.

Financial effects of the Equity Transfer

Upon the Equity Transfer Completion, CEC Technology will cease to be a wholly-owned subsidiary of the Company and will become an indirect wholly-owned subsidiary of OVU. The results and the assets and liabilities of CEC Technology Group will no longer be consolidated into the consolidated financial statements of the Group. Furthermore, the current continuing connected transactions between CEC Technology Group on the one hand and CEC, the ultimate controlling shareholder of the Company, and its associates on the other, will cease to be continuing connected transactions of the Company.

The consideration of the Equity Transfer of RMB699,854,600 represents an excess of RMB522,648,600 (equivalent to HK$632,404,806) over the unaudited consolidated net assets of CEC Technology Group as at 30 June 2015.

After taking into account the fair value of the consideration of the Equity Transfer, the net carrying amount of the assets and liabilities of CEC Technology Group as at 30 June 2015, the related transaction costs and taxes and assuming the fair value of OVU Shares to be acquired by the Company equal to the closing price of OVU Shares as quoted on the Stock Exchange as at 30 June 2015, it is estimated that a gain of approximately HK$1,003 million on the Equity Transfer will be recorded. The actual gain on the Equity Transfer, which will be calculated based on the consolidated net assets of CEC Technology Group as at the date of the Equity Transfer Completion, may be different and is subject to determination.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Equity Transfer on the financial position, financial performance and cash flows of the Group.

INFORMATION ON CEC TECHNOLOGY GROUP

CEC Technology was acquired by the Company from CEC in June 2014 at a consideration of RMB600 million. The principal business activities of CEC Technology Group are the development and management of industrial parks in the PRC which provides a platform for industry players to develop electronic information technology businesses. The major electronic information technology industrial parks operation of CEC Technology Group comprises:

1. Hainan Resort Software Community（海南生態軟件園）("Hainan RSC"), which is wholly-owned, developed and managed by Hainan Resort Software Community Investment and Development Co., Ltd（海南生態軟件園投資發展有限公司）, an associate company of CEC Technology. Hainan RSC is situated in Hainan, with a planned total site area of 3,000 Mu, of which approximately 1,790 Mu of land had already been acquired, and application will be made to the government for the purchase of the remaining approximately 1,210 Mu. The park targets at enterprises engaging in software research, software outsourcing and information technology training, as well as call centres and internet media.

2. CEC Xi'an Industrial Park （中國電子西安產業園）("Xi'an Industrial Park"), which is wholly-owned, developed and managed by CEC Xi'an, a subsidiary of CEC Technology. Xi'an Industrial Park is situated in Xi'an and occupies a site area of 470 Mu, of which 202 Mu of land has already been acquired, and application for the purchase of the rest from the government is in progress. The park targets at enterprises engaging in producer and consumer information services industries such as cloud computing services, integrated circuit design, software research and development, information services, information security and electronic commerce.

3. CEC Beihai Industrial Park（中國電子北海產業園）("Beihai Industrial Park"), which is wholly-owned, developed and managed by CEC Beihai, a subsidiary of CEC Technology. Beihai Industrial Park is situated in Beihai, Guangxi. The park targets at manufacturers of computers and computer storage, as well as enterprises engaging in software research and services, and the production of key parts of LCD monitors and A/D power.

Based on the financial information of CEC Technology Group prepared in accordance with International Financial Reporting Standards, the unaudited consolidated net assets of CEC Technology Group was RMB177,206,000 (equivalent to approximately HK$214,419,000) as at 30 June 2015. Set out below are the unaudited consolidated financial information of CEC Technology Group for each of the years ended 31 December 2013 and 2014 and for the six months ended 30 June 2015, respectively:

	For the year ended 31 December 2013	**For the year ended 31 December 2014**	**For the six months ended 30 June 2015**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	77,762	(12,159)	24,696
Profit/(loss) after taxation	53,182	(15,184)	21,778

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Equity Transfer (including the provision of financial assistance to CEC Technology Group) is more than 25% but less than 75%, the Equity Transfer constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Equity Transfer (including the provision of financial assistance to CEC Technology Group) and has thus abstained from voting on the relevant resolution at the Board meeting.

THE CECH SUBSCRIPTION AGREEMENT

Date: 14 December 2015 (after trading hours)

The Parties

Issuer: OVU

Subscriber: the Company

CECH Subscription Shares

The Company and OVU entered into the CECH Subscription Agreement pursuant to which OVU has conditionally agreed to allot and issue, and the Company has conditionally agreed to subscribe in cash, the CECH Subscription Shares, credited as fully paid, at the Subscription Price of HK$0.8 per CECH Subscription Share.

The CECH Subscription Shares represent (i) approximately 37.3% of the issued share capital of OVU of 4,000,000,000 OVU Shares as at the Latest Practicable Date; and (ii) approximately 18.6% of the issued share capital of OVU as enlarged by the allotment and issue of the CECH Subscription Shares, the Consideration Shares and the Placing Shares and on the assumption that no further OVU Shares will be issued or repurchased prior to the Completion.

The CECH Subscription Shares will be issued under the Specific Mandate to be approved by the OVU Independent Shareholders at the OVU EGM. Application will be made by OVU to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the CECH Subscription Shares.

The consideration for the CECH Subscription Shares of approximately HK$1,193 million will be funded by the internal resources and/or borrowings of the Group.

Subscription Price

The Subscription Price represents:

(i) A discount of approximately 15.8% to the closing price of HK$0.95 per OVU Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) A discount of approximately 13.0% to the average closing price of HK$0.92 per OVU Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) A discount of approximately 14.9% to the average closing price of HK$0.94 per OVU Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) A discount of approximately 16.7% to the average closing price of HK$0.96 per OVU Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day;

(v) A discount of approximately 1.2% to the closing price of HK$0.81 per OVU Share as quoted on the Stock Exchange on the last trading day before the release of the announcement dated 16 October 2015 of the Company made pursuant to Rule 3.7 of the Takeovers Code; and

(vi) A premium of approximately 1.3% to the unaudited consolidated net asset value per OVU Share as at 30 June 2015 of HK$0.79.

The Subscription Price was arrived at after arm's length negotiations between the Company and OVU, with reference to the liquidity and recent trading performance of the OVU Shares, and the financial performance and the business outlook of OVU.

The Directors consider that the Subscription Price and the terms of the CECH Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the CECH Subscription Completion

The CECH Subscription Completion is conditional upon the following CECH Subscription Conditions:

(a) the Executive having granted the Whitewash Waiver;

(b) all conditions incidental to the Whitewash Waiver having been fulfilled;

(c) the following having been obtained from the OVU Independent Shareholders at the OVU EGM:

    (i) the approval of the Specific Mandate to allot and issue the CECH Subscription Shares, the Placing Shares and the Consideration Shares pursuant to the requirements under the Listing Rules;

    (ii) the approval of the CECH Subscription Agreement and the transactions contemplated thereunder;

    (iii) the approval of the Whitewash Waiver pursuant to the Takeovers Code;

(iv) the approval of the transactions contemplated under the Equity Interest Transfer Agreement and the certain transactions to be entered into between CEC Technology Group and the Group upon Completion that would constitute non-exempt continuing connected transactions of OVU; and

(v) the approval of the transactions contemplated under the Placing;

(d) OVU having obtained the approval from the Stock Exchange for the listing of and permission to deal in the CECH Subscription Shares, the Placing Shares and the Consideration Shares, and the relevant approval not having been revoked prior to the CECH Subscription Completion;

(e) OVU having obtained all essential and necessary letters of consent and authorisation from any governmental or regulatory authority in regards to the execution and completion of the transactions contemplated under the CECH Subscription Agreement, which shall remain in full force and effect pursuant to the provisions of any law or rule in any relevant jurisdiction;

(f) all the Equity Transfer Conditions and the Placing Conditions having been satisfied or waived (where applicable);

(g) OVU having abided by all relevant undertakings made in the CECH Subscription Agreement required to be completed on or before the CECH Subscription Completion;

(h) the representations and warranties respectively made by OVU and the Company being true, accurate and complete on the date of the CECH Subscription Agreement, the CECH Subscription Completion and at all times in the period between the date of the CECH Subscription Agreement and the CECH Subscription Completion; and

(i) the Company having obtained all the necessary and required corporate approvals in relation to the signing and delivery of the CECH Subscription Agreement and the performance of the transactions contemplated thereunder, and all the regulatory letters of consent and authorisation from any governmental or regulatory authority which shall remain in full force and effect pursuant to the provisions of any law or regulations in any relevant jurisdiction.

Either party shall have the discretion to waive the condition set out in paragraph (h) above. Save for the condition set out in paragraph (h) above, neither the Company nor OVU shall have the right to waive any of the CECH Subscription Conditions. As at the Latest Practicable Date, the Company did not intend and was not aware of any intentions on the part of OVU to waive any of the CECH Subscription Conditions.

If the CECH Subscription Conditions have not been fulfilled or waived on or before the expiry of six months after the date of the CECH Subscription Agreement (or such later date as the parties may agree in writing), then the CECH Subscription Agreement shall terminate automatically (other than in respect of certain provisions having the effect of surviving the termination). In such event, none of the parties shall have any claim under the CECH Subscription Agreement of any nature whatsoever against the other party except in respect of any rights and liabilities which have accrued before termination or under certain provisions having the effect of surviving the termination.

Nomination of directors

Subject to and upon the Completion, the Company shall be entitled to nominate two directors to the OVU Board for so long as the Company holds more than 30% of the issued share capital of OVU.

Pursuant to the CECH Subscription Agreement, the appointment of such directors shall be subject to the articles of association of OVU and the Listing Rules, and that it is also subject to the approval of the nomination committee and the remuneration committee of the OVU Board. In addition, it was expressly set out in the CECH Subscription Agreement that the directors nominated by the Company shall be subject to re-election at the annual general meeting of OVU.

The Company's abovementioned right to nominate directors to the OVU Board is a term of the investment arrived at after arm's length negotiations between OVU and the Company.

Ranking of the CECH Subscription Shares

The CECH Subscription Shares, when allotted and issued, shall rank equally in all respects with OVU Shares in issue on the date of allotment and issue of the CECH Subscription Shares. As confirmed by OVU, there will not be any new class of securities of OVU for which listing will be sought as a result of the CECH Subscription, the Equity Transfer and the Placing.

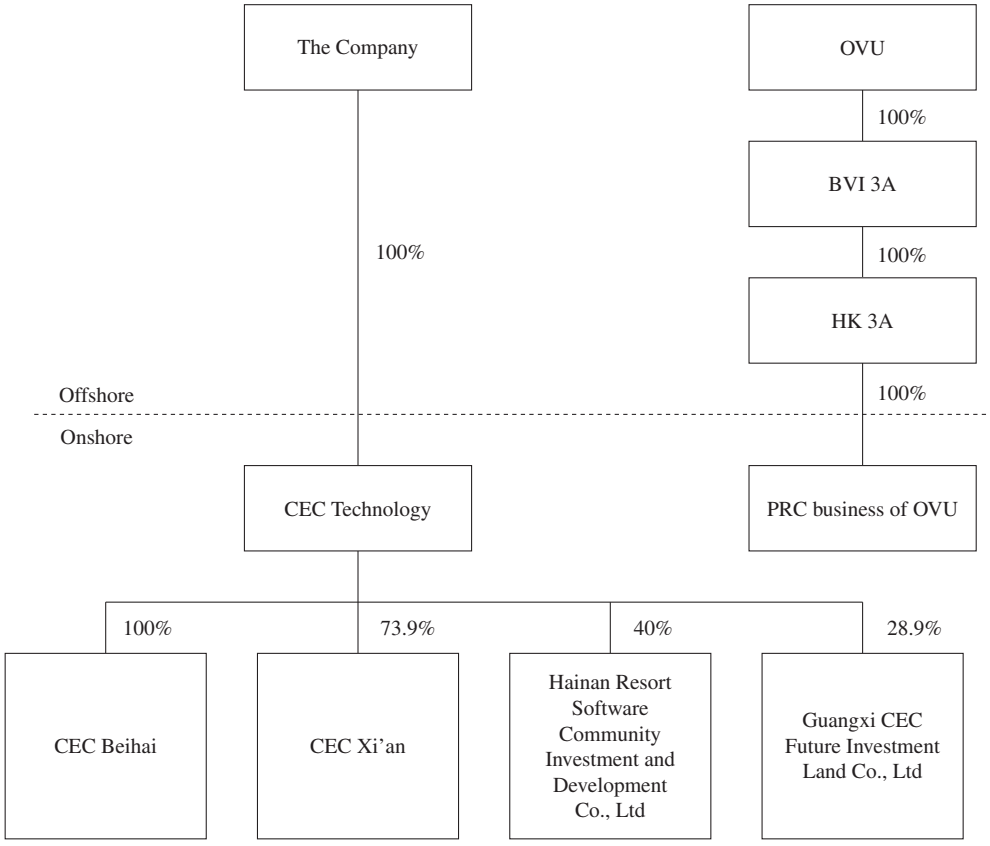
CECH Subscription Completion

Each of the Equity Transfer, the CECH Subscription and the Placing is interconditional on each other. The CECH Subscription Completion shall take place simultaneously with the Equity Transfer Completion and the Placing Completion on the seventh Business Day after the satisfaction or waiver (where applicable) of all the Equity Transfer Conditions, the CECH Subscription Conditions and the Placing Conditions or at such other time or date as the parties may agree.

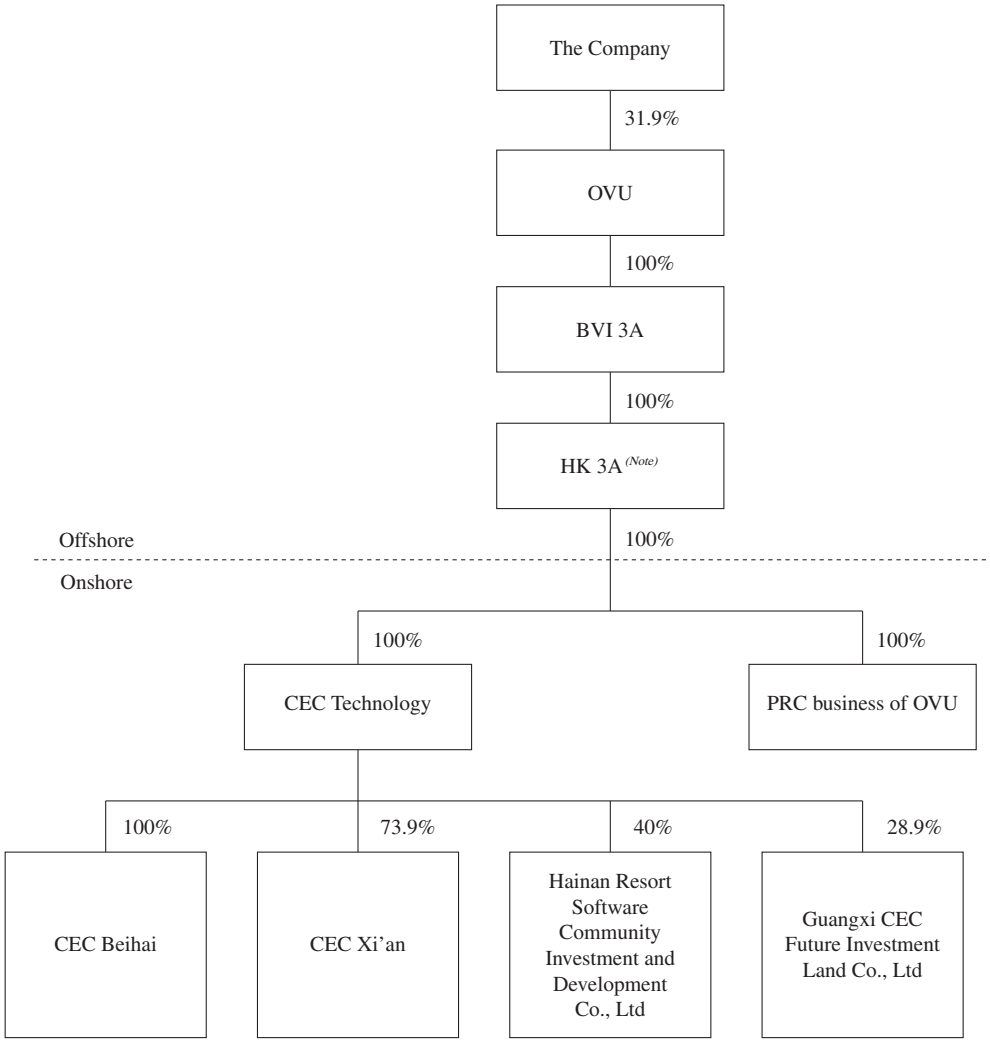
Upon the Completion, the Company will be interested in approximately 31.9% of the issued share capital of OVU (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares and on the assumption that no further OVU Shares will be issued or repurchased prior to the Completion).

Shareholding structure of CEC Technology Group

The following is the simplified shareholding structure chart of CEC Technology Group prior to the Completion:



The following is the simplified shareholding structure chart of CEC Technology Group immediately after the Completion:



Note: Upon the Equity Transfer Completion, approximately 31.51% of the issued share capital of HK 3A will be charged in favour of CECM pursuant to the Share Charge.

Financial effects of the CECH Subscription

Upon the Completion, OVU will become an associated company of the Company and the results and assets and liabilities of OVU Group will be accounted for using the equity method of accounting.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the CECH Subscription on the financial position, financial performance and cash flows of the Group.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AND THE CECH SUBSCRIPTION

The Group is principally engaged in the design and sale of integrated circuit chips, and the development and management of electronic information technology industrial parks.

Since the completion of the acquisition of the electronic information technology industrial park business in June 2014, the Group has put great efforts and investments in the development of industrial parks in different locations in the PRC including Hainan, Xi'an and Beihai. As at 30 June 2015, the construction of Meilun Tertiary Time Tropical Style Commercial Street, which intended to be held for rental purpose, in Plot E of Hainan RSC was substantially completed. Constructions of a number of commercial, office and residential development projects in various locations are also scheduled for completion in 2016 by phases. For the six months ended 30 June 2015, the Group recorded a segment profit of HK$5.3 million, representing an improvement when comparing with a segment loss of HK$10.7 million in the corresponding period of last year.

The Company believes that the electronic information technology industrial park market in the PRC is still at its initial development stage. With various favorable policies such as "Policies regarding the support for the development of the State's information technology bases and industrial parks" promulgated by the PRC government that are being rolled out to support the industry, the Directors take a positive view on the development of the electronic information technology industrial parks in the PRC and it is anticipated that the electronic information technology industrial parks will see considerable growth with the continuous efforts and investments to be placed in this business sector.

Upon Completion, the Company will be the single largest shareholder and the controlling shareholder of OVU holding approximately 31.9% of shareholding at OVU. Pursuant to the CECH Subscription Agreement, the Company will be entitled to nominate 2 directors to the OVU Board. Accordingly, the Equity Transfer and the CECH Subscription will enable the Company to continue investing in the electronic information technology industrial parks through having significant influences over the management and operations of OVU Group.

OVU is a leading multi-theme business parks developer which is engaging in the development and operation of large-scale business parks with distinctive industry themes. The business parks of OVU Group cover different locations in the PRC including Wuhan, Qingdao, Ezhou, Huangshi, Shenyang and Hefei. The Directors consider that the Equity Transfer and the CECH Subscription represents further investment by the Company in the electronic information technology industrial parks sector through OVU upon Completion and expansion of the investment scope of the Company to new geographical areas in the PRC. The Directors also believe that the investment by the Company in OVU will create opportunities for enhanced cooperation between the Group and OVU Group in the PRC industrial park sector.

OVU Group has been in the property development business in the PRC for over a decade. With the long established history of OVU Group and the strong background of the Company in the industry as well as the support from CEC, the Directors believe that OVU Group will have more competitive advantages in its business development, in particular in the sourcing and securing of new industrial park projects in different locations in the PRC upon Completion. Moreover, with the combined industry expertise of the experienced senior management from both OVU Group and the Group, the Directors believe the Equity Transfer and the CECH Subscription will create synergy on the operation of OVU Group upon Completion.

Given the above, the Directors are of the view that the terms of the Equity Interest Transfer Agreement and the CECH Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND OVU

(a) Information on the Company

The Company is an investment holding company. The Group is principally engaged in the design and sale of integrated circuit chips, and the development and management of electronic information technology industrial parks.

(b) Information on OVU

OVU is an investment holding company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. OVU is engaged primarily in the development and operation of large-scale business parks with distinctive industry themes located in Hubei and Shandong provinces, the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the acquisition of the Consideration Shares and the CECH Subscription Shares by the Company in aggregate exceeds 100%, the acquisition of the Consideration Shares and the CECH Subscription Shares by the Company in aggregate constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the CECH Subscription and has thus abstained from voting on the relevant resolution at the Board meeting.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Immediately after the Completion, the Company will be interested in 2,550,000,000 OVU Shares, representing approximately 63.8% of the issued share capital of OVU as at the Latest Practical Date and approximately 31.9% of the issued share capital of OVU (as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares and on the assumption that no further OVU Shares will be issued or repurchased prior to the Completion). Under Rule 26.1 of the Takeovers Code, the Company would be obliged to make a mandatory general offer to the shareholders of OVU for all the issued OVU Shares and other relevant securities of OVU not already owned or agreed to be acquired by the Company and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive.

The Company has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the 2,550,000,000 OVU Shares to be allotted and issued to the Company upon the Completion. The Executive has indicated that it will agree to grant the Whitewash Waiver, which if granted by the Executive, would be subject to, among other things, the approval of the OVU Independent Shareholders at the OVU EGM by way of poll. If the Whitewash Waiver is granted by the Executive, the Company will not be required to make a mandatory offer (which will otherwise be required) as a result of the allotment and issue of the Consideration Shares and the CECH Subscription Shares to the Company. **If the Whitewash Waiver is not granted by the Executive or approved by the OVU Independent Shareholders, the Equity Transfer, the CECH Subscription, the Placing and the Share Charge will not proceed.**

RE-ELECTION OF DIRECTORS

On 19 January 2016, the Company announced that Mr. Ma Yuchuan ("Mr. Ma") was appointed as an executive Director and the Vice Chairman of the Board, and Mr. Jiang Juncheng ("Mr. Jiang") was appointed as a non-executive Director with effect from the same date. Pursuant to Code Provision A.4.2 of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, Mr. Ma and Mr. Jiang shall retire at the first general meeting after their appointment and, being eligible, offer themselves for re-election at the SGM.

The biographical details of Directors standing for re-election at the SGM are set out below:

Mr. Ma Yuchuan, aged 50, graduated from Zhejiang University and holds a Bachelor's degree in Semiconductor Physics and Devices. Mr. Ma is the deputy general manager of Huada Semiconductor, a controlling shareholder of the Company, a director of Hua Hong Semiconductor Limited (a company listed on the Stock Exchange), a director of Shanghai Belling Co., Ltd (a company listed on the Shanghai Stock Exchange), a director of CEC Huahong International Co., Ltd, and a director of Chengdu Sino Microelectronics Technology Co., Ltd. Mr. Ma, having spent much of his career in CEC, the ultimate controlling shareholder of the Company, was a divisional director of the Project Division of the Corporate Management Department of CEC, a divisional director of the Integrated Circuits and Devices Division of the Industry Development Department of CEC, and a deputy director of the Integrated Circuits Business Department of CEC and a deputy director of the Science and Technology Planning Department of CEC. Save as disclosed above, Mr. Ma has not held any directorship in any listed public companies in the past three years.

Mr. Jiang Juncheng, aged 40, graduated from the Central University of Finance and Economics and holds a Bachelor's degree in Accounting and received a Master's degree in Professional Accounting. He also obtained an Executive Master's Degree of Business Administration from School of Economics and Management of Tsinghua University. Mr. Jiang is a Certified Public Accountant in the PRC and a Certified Public Valuer in the PRC. Mr. Jiang is the chief accountant of Huada Semiconductor, a controlling shareholder of the Company, the financial controller of Huada Electronics, a wholly-owned subsidiary of the Company, and the chairman of the supervisory committee of Shanghai Belling Co., Ltd (a company listed on the Shanghai Stock Exchange). Mr. Jiang joined Huada Electronics in 2002 and possess a wealth of experience in finance and corporate management. Save as disclosed above, Mr. Jiang has not held any directorship in any listed public companies in the past three years.

Neither Mr. Ma nor Mr. Jiang has entered into any service contract with the Company which provides for a specified length of service. Each of Mr. Ma and Mr. Jiang will be subject to retirement by rotation and re-election under the bye-laws of the Company and the Listing Rules. Neither Mr. Ma nor Mr. Jiang will receive any remuneration from the Company. Each of Mr. Ma and Mr. Jiang will be entitled to a discretionary bonus, as determined with reference to their duties, responsibilities and to the prevailing market conditions.

Save as disclosed herein, neither Mr. Ma nor Mr. Jiang has any relationship with any Director, senior management, substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Jiang holds 1,139,420 shares in the Company. Save as otherwise disclosed, neither Mr. Ma nor Mr. Jiang has any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other matter relating to the re-election of Mr. Ma and Mr. Jiang that needs to be brought to the attention of the Shareholders, nor is there any other information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

SGM

A notice convening the SGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 11 March 2016 at 4:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. Resolutions in relation to (i) the Equity Transfer; (ii) the CECH Subscription and (iii) the re-election of Directors will be proposed at the SGM. Any Shareholder with a material interest in the transaction and his associates, will abstain from voting. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in relation to the Equity Transfer, the CECH Subscription and the re-election of Directors. Accordingly, no Shareholder is required to abstain from voting in the relevant resolution(s). Pursuant to Rule 13.39(4) of the Listing Rules, all the above resolutions shall be taken by poll at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

BOOK CLOSURE PERIOD

Shareholders whose names appear on the register of members of the Company on 11 March 2016 will be entitled to attend and vote at the SGM. The register of members of the Company will be closed from 9 March 2016 to 11 March 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered.

In order to be entitled to attend and vote at the SGM, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 March 2016.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors are of the view that (a) the terms of the Equity Interest Transfer Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (b) the terms of the CECH Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM in relation to (i) the Equity Transfer and (ii) the CECH Subscription.

FURTHER INFORMATION

Your attention is also drawn to the financial and general information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
China Electronics Corporation Holdings Company Limited
Dong Haoran
Chairman

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014

Financial information of the Group for each of the years ended 31 December 2012, 2013 and 2014 is disclosed on pages 37 to 98 of the annual report of the Company for the year ended 31 December 2012 published on 7 March 2013, pages 40 to 103 of the annual report of the Company for the year ended 31 December 2013 published on 17 April 2014 and pages 47 to 142 of the annual report of the Company for the year ended 31 December 2014 published on 29 April 2015, respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cecholding.com).

The links to the annual reports of the Company for each of the years ended 31 December 2012, 2013 and 2014, respectively, are set out below:

2012: http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0307/LTN20130307335.pdf

2013: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0417/LTN20140417556.pdf

2014: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429733.pdf

INDEBTEDNESS

As at 31 December 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this circular, the Group had outstanding borrowings of HK$4,160.1 million.

The analysis of the borrowings of the Group as at 31 December 2015 is as follows:

	As at 31 December 2015 *(HK$ million)*
Secured non-current bank borrowings (a)	901.6
Unsecured corporate bonds (b)	3,258.5
	4,160.1

(a) As at 31 December 2015, the non-current bank borrowings were secured by way of bank deposits provided by CECM in favour of Xiamen Bank.

(b) As at 31 December 2015, the Group had outstanding unsecured bonds due 2017 in the principal amount of RMB2,750.0 million, the bonds will mature on 16 January 2017 and are listed on the Stock Exchange. The carrying amount of the unsecured bonds is HK$3,258.5 million as at 31 December 2015.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at 31 December 2015, any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

GEARING RATIOS

As at 30 June 2015, the gearing ratio of the Group was 82.4% (calculated as the total liabilities over total assets of the Group). As set out in Appendix III to this circular, assuming 30 June 2015 is the date of the Completion, the gearing ratio of the Group will be 61.0%.

As at 30 June 2015, the gearing ratio of the Group was 77.3% (calculated as the total net debt over total capital of the Group). As set out in Appendix III to this circular, assuming 30 June 2015 is the date of the Completion, the gearing ratio of the Group will be 52.7%.

WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds, the available committed borrowing facilities and the financial support provided by CEC, the Directors are of the opinion that in the absence of unforeseeable circumstances, the Group has sufficient working capital available for its requirements, that is for at least the next 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

During the six months ended 30 June 2015, the Group took one significant step to swiftly capitalise on the enormous market opportunities created by the development of the integrated circuit industry. In June 2015, Huada Electronics entered into acquisition agreements to acquire the controlling interest in Shanghai Huahong Integrated Circuit Co., Ltd (“Huahong”). Established in 1998, Huahong is an industrial leader in the design of the integrated circuit sector in the PRC. It has a comprehensive domestic smart card product line, with technology focusing on the design and system development of contact, contactless and dual-interface integrated circuit chips, which are widely used in sectors such as social security (social security cards), telecommunications (telecommunication cards), public transport (public transport cards), identity authentication (identity cards and residence permits), electronic travel documents (electronic passports) and financial security (bank cards). The acquisition of Huahong provides the Group with a valuable opportunity in broadening its business coverage and will enable the Group to become a formidable force within the industry. The acquisition of Huahong was completed in February 2016.

Looking forward, on the one hand, the Group will continue to adhere to its independent innovation development strategy, increase its investments in science and technology, and actively expand into new smart card application business such as financial security and other chip design segments. On the other hand, it will grasp the development opportunities arising from the integrated circuits design sector and strive to maintain its leading position in that sector.

Electronic information technology industrial park market in the PRC is still at its initial development stage. Given that the electronic information technology industrial parks invested by the Group are all located at sites which offer convenient transportation and affluent economic resources, various favorable policies such as "Policies regarding the support for the development of the State's information technology bases and industrial parks" promulgated by the PRC government that are being rolled out to support the industry, the comprehensive supporting facilities within the industrial parks, the combined industry expertise of the experienced senior management from both the Group and OVU Group, and the funding obtained from the issue of the unsecured bonds in 2014 will be catalysts for the sustainable development of these industrial parks.

Looking forward, under the industrial development concepts of "soliciting industry leading enterprise, establishing industrial platform, building incubation mechanism and nourishing benchmarking enterprises to take shape of a sound industrial ecosphere", Hainan RSC will be focusing on developing internet and cultural creativity industries and the Group will strengthen cooperation with the relevant government department in the development of Beihai Industrial Park. Upon the Completion, together with the opportunities that are presented and the strategies that are to be adopted as well as the support from CEC, the electronic information technology industrial parks invested by the Group will eventually be transformed into fully-functional eco-wisdom electronics cities, which will ensure the Group's sustainable growth. It has also been the business strategy of the Group to seek potential investment opportunities of other industrial parks with growth potential in order to enhance its earnings and to maximise the Shareholders value.

A. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE OVU GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014 AND THE SIX MONTHS ENDED 30 JUNE 2015

The audited consolidated financial information of the OVU Group prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 is disclosed on Appendix I of the prospectus of global offering of OVU published on 18 March 2014 ("Prospectus"), pages 63 to 152 of the annual report of OVU for the year ended 31 December 2013 published on 28 April 2014, pages 97 to 188 of the annual report of OVU for the year ended 31 December 2014 published on 23 April 2015 and pages 3 to 77 of the announcement of OVU published on 15 December 2015, respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of OVU (www.ovuni.com).

The audited consolidated financial information of the OVU Group for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 is incorporated by reference into this circular and forms part of this circular.

The links to the Prospectus, the annual reports of OVU for each of the years ended 31 December 2013 and 2014 and the announcement of OVU dated 15 December 2015, respectively, are set out below:

Prospectus: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0318/LTN20140318024.pdf

2013 annual report: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0428/LTN20140428460.pdf

2014 annual report: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0423/LTN20150423198.pdf

Announcement dated 15 December 2015: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1215/LTN20151215041.pdf

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE OVU GROUP

Set out below is the management discussion and analysis of the OVU Group's results and financial position for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 extracted from the relevant Prospectus, annual reports and interim report of OVU with slight modifications (such as substituting the words "the Company", "the Group", "we" and "our" as appeared in the relevant Prospectus and reports with the words "OVU", "the OVU Group" and "its" respectively, and elaborating the meaning of those capitalised terms by including the definitions extracted from other sections of the relevant Prospectus and reports) where appropriate.

FOR THE YEAR ENDED 31 DECEMBER 2012

Results of Operations

Turnover

The OVU Group's turnover increased by RMB406.8 million, or 29.0%, from RMB1,405.2 million for the year ended 31 December 2011 to RMB1,812.0 million for the year ended 31 December 2012. The major contributor to the OVU Group's turnover in 2012 was sales of properties in the OVU Group's projects.

Property Development

The following table sets forth the summary of turnover information from sales of properties for the periods indicated:

	Year ended 31 December											
	2011						2012					
Project	Turnover (RMB'000)	Gross profit (RMB'000)	Gross profit margin	GFA[4] sold (sq.m.)	ASP[1] (RMB/sq.m.)	% of total segment turnover	Turnover (RMB'000)	Gross profit (RMB'000)	Gross profit margin	GFA[4] sold (sq.m.)	ASP[1] (RMB/sq.m.)	% of total segment turnover
Business Park Projects												
Optics Valley Financial Harbour (Phase II – Buildings B1, B3-B5 and B9-B11) (光谷金融港二期B1, B3-B5和B9-B11棟)	–	–	–	–	–	–	323,470	127,444	39.4%	65,220	4,960	22.6%
Optics Valley Software Park (Phase VI) (光谷軟件園六期)	–	–	–	–	–	–	299,380	45,355	15.1%	60,152	4,977	20.9%
Optics Valley Software Park (Phase V – Buildings B1-B2) (光谷軟件園五期B1-B2棟)	247,469	64,643	26.1%	52,010	4,758	21.1%	318,669	131,446	41.2%	63,682	5,004	22.3%
Optics Valley Software Park (Phases I-IV) (光谷軟件園一至四期)[2]	–	–	–	–	–	–	6,559	4,586	69.9%	895	7,330	0.5%
Optics Valley Financial Harbour (Phase I) (光谷金融港一期)	475,249	174,630	36.7%	104,075	4,566	40.6%	409,640	141,786	34.6%	87,543	4,679	28.6%
Residential Projects												
Lido Top View (麗島半山華府)	10,051	4,603	45.8%	1,838	5,468	0.8%	18,274	9,941	54.4%	3,130	5,839	1.3%
Romantic Town (麗島漫城)	434,241	66,058	15.2%	66,399	6,540	37.1%	51,401	15,197	29.6%	7,395	6,951	3.6%
Other properties[3]	4,419	1,003	22.7%	1,470	3,006	0.4%	4,500	666	14.8%	1,451	3,101	0.2%
Total	**1,171,429**	**310,937**	**26.5%**	**225,792**	**5,188**	**100.0%**	**1,431,893**	**476,421**	**33.3%**	**289,468**	**4,947**	**100.0%**

Notes:

(1) ASP represented the average selling price per sq.m. which is based on unaudited internal management records and derived by dividing turnover from sales of properties by the total GFA sold in a given period. In accordance with terms of formal purchase agreements, the saleable GFA of each project only includes the GFA of above-ground properties, in respect of which the OVU Group has property ownership certificates, but excludes the GFA of underground car parking spaces. Accordingly, the ASP of each project is currently calculated as the turnover from property development divided by the GFA of above-ground properties of the project. The ASP could be lower if the saleable GFA of the project includes the GFA of underground car parking spaces.

(2) The turnover from sales of properties in the Optics Valley Software Park (Phases I-IV) includes, among others, that from sales of properties in the Optics Valley Software Park (Phases I-IV) and that from sales of properties in the Optics Valley Software Park Exhibition Center (Phase I).

(3) Other properties refer to residential properties of the OVU Group where development and sale of such properties were completed prior to 30 September 2013 with outstanding balances settled by 30 September 2013.

(4) GFA represented gross floor area.

The OVU Group's turnover generated from sales of properties increased by RMB260.5 million, or 22.2%, from RMB1,171.4 million for the year ended 31 December 2011 to RMB1,431.9 million for the year ended 31 December 2012, primarily due to:

(i) the turnover of RMB323.5 million from sales of properties in the Optics Valley Financial Harbour (Phase II – Buildings B1, B3-B5 and B9-B11) as the OVU Group completed the project and recognised the turnover for 65,220 sq.m. of the GFA sold for the year ended 31 December 2012;

(ii) the turnover of RMB299.4 million from sales of properties in the Optics Valley Software Park (Phase VI) as the OVU Group consolidated the turnover for 60,152 sq.m. of the GFA sold in respect of the completed project for the year ended 31 December 2012 after the OVU Group acquired a 50% equity interest in Wuhan Optics Valley Software Park Co., Ltd （武漢光谷軟件園有限公司）("Wuhan Optics Valley Software") and controlled it as a wholly-owned subsidiary; and

(iii) an increase by RMB71.2 million, or 28.8%, in turnover from sales of properties in the Optics Valley Software Park (Phase V – Buildings B1-B2) from RMB247.5 million for the year ended 31 December 2011 to RMB318.7 million for the year ended 31 December 2012, mainly because the GFA sold for the project increased by 11,672 sq.m. from 52,010 sq.m. for the year ended 31 December 2011 to 63,682 sq.m. for the year ended 31 December 2012 as the OVU Group completed more properties in the project in accordance with development schedules in 2012, and the ASP, net of business tax, of the GFA sold for this project increased by 5.2% from RMB4,758 per sq.m. for the year ended 31 December 2011 to RMB5,004 per sq.m. for the year ended 31 December 2012 as the OVU Group increased the prices of properties sold in 2012 due to rising development costs and the fact that customers were willing to pay higher prices for properties in the project which was developed in a more mature and advanced development stage in 2012 with well-developed infrastructure and supporting facilities, and

partially offset by:

(i) a decrease by RMB382.8 million, or 88.2%, in turnover from sales of properties in the Romantic Town from RMB434.2 million for the year ended 31 December 2011 to RMB51.4 million for the year ended 31 December 2012, mainly because the GFA sold for the project decreased by 59,004 sq.m. from 66,399 sq.m. for the year ended 31 December 2011 to 7,395 sq.m. for the year ended 31 December 2012 as the OVU Group controlled Wuhan Xuefu Property Co., Ltd （武漢學府房地產有限公司）("Wuhan Xuefu") as a subsidiary in 2011 and sold most residential properties of the project in that year, which was partially offset by an increase in the ASP, net of business tax, of the GFA sold for this project by 6.3% from RMB6,540 per sq.m. for the year ended 31 December 2011 to RMB6,951 per sq.m. for the year ended 31 December 2012 as a result of a general increase in the prices of residential units sold in 2012 due to rising development costs and the fact that customers were willing to pay higher prices for these residential units in the project; and

(ii) a decrease by RMB65.6 million, or 13.8%, in turnover from sales of properties in the Optics Valley Financial Harbour (Phase I) from RMB475.2 million for the year ended 31 December 2011 to RMB409.6 million for the year ended 31 December 2012, mainly because the GFA sold for the project decreased by 16,532 sq.m. from 104,075 sq.m. for the year ended 31 December 2011 to 87,543 sq.m. for the year ended 31 December 2012 as the OVU Group sold more customised development projects to large customers and office space for general business use to retail customers in 2011 in accordance with development schedule, which was partially offset by an increase in the ASP, net of business tax, of the GFA sold for this project by 2.9% from RMB4,566 per sq.m. for the year ended 31 December 2011 to RMB4,697 per sq.m. for the year ended 31 December 2012 as the OVU Group increased the prices of properties sold in 2012 due to rising development costs and customers were willing to pay higher prices for properties in the project.

The total GFA sold increased by 28.2% from 225,792 sq.m. for the year ended 31 December 2011 to 289,468 sq.m. for the year ended 31 December 2012 as the OVU Group completed an increasing number of business park and residential projects in 2012. The overall ASP, net of business tax, of the total GFA sold for the OVU Group's business park and residential projects decreased slightly from RMB5,188 per sq.m. for the year ended 31 December 2011 to RMB4,947 per sq.m. for the year ended 31 December 2012, primarily because the contribution of the Romantic Town that had the relatively higher ASP of residential properties sold decreased from 37.1% of the OVU Group's turnover from property development for the year ended 31 December 2011 to only 3.6% for the year ended 31 December 2012.

Business Operation Services

The OVU Group's turnover generated from business operation services increased by RMB42.2 million, or 47.4%, to RMB131.3 million for the year ended 31 December 2012 from RMB89.1 million for the year ended 31 December 2011 because the OVU Group developed and completed an increasing number of business parks and expanded scope of its services and increased the number of customers in its business parks.

Construction Contract

The OVU Group's turnover generated from construction contract increased by RMB87.4 million, or 81.2%, from RMB107.7 million for the year ended 31 December 2011 to RMB195.1 million for the year ended 31 December 2012, primarily because Wuhan Lido Technology Co., Ltd（武漢麗島科技有限公司)("Wuhan Lido Technology"), a subsidiary of OVU, provided building interior and external decoration and improvement services to an increasing number of development projects in the OVU Group's business parks and projects owned by third parties as a result of the recognition by customers of its technical expertise, strong construction capabilities and brand.

Property Leasing

The OVU Group's turnover generated from rental income increased by RMB5.7 million, or 47.9%, from RMB11.9 million for the year ended 31 December 2011 to RMB17.6 million for the year ended 31 December 2012, primarily because the property value and average rental price of investment properties increased as the OVU Group developed its business park projects in a more mature and advanced stage and customers had significant demand for leasing of office properties in its business parks, as well as due to an overall increase in rental prices.

Development Management Services

The following table sets forth the summary of turnover information with respect of the OVU Group's development management services for the periods indicated:

	Year ended 31 December			
	2011		2012	
Project	**Turnover** *(RMB'000)*	**% of total segment turnover**	**Turnover** *(RMB'000)*	**% of total segment turnover**
Lido Mason (Phase I) (麗島美生一期)	6,447	25.7%	14,755	40.9%
Wuhan Hi-Tech Medical Devices Business Park (Phase I) (武漢高科醫療器械園一期)	1,470	5.9%	4,941	13.7%
Wuhan Future Technology City (Phase I) (武漢未來科技城一期)	4,381	17.5%	6,705	18.6%
Wuhan National Biotech Innovation Business Park (Phase I) (武漢國家生物產業創新基地一期)	7,719	30.8%	7,832	21.7%
Lido Liuyuan (麗島柳園)	4,595	18.3%	–	–
Other residential projects	445	1.8%	1,866	5.1%
Total	25,057	100.0%	36,099	100.0%

The OVU Group's turnover generated from its development management services increased by RMB11.0 million, or 43.8%, to RMB36.1 million for the year ended 31 December 2012 from RMB25.1 million for the year ended 31 December 2011 primarily due to:

(i) an increase by RMB8.4 million, or 131.3%, in turnover from development management services for the Lido Mason (Phase I) from RMB6.4 million for the year ended 31 December 2011 to RMB14.8 million for the year ended 31 December 2012, primarily due to (i) a general increase in the OVU Group's

service fees from 2011 to 2012 in accordance with relevant project development and payment schedules, and (ii) to a lesser extent, an additional sales agency fee paid to the OVU Group in 2012 according to contractual terms;

(ii) an increase by RMB3.4 million, or 226.7%, in the turnover from development management services for the Wuhan Hi-Tech Medical Devices Business Park (Phase I) from RMB1.5 million for the year ended 31 December 2011 to RMB4.9 million for the year ended 31 December 2012, primarily due to (i) a bonus payment from the Wuhan Municipal Government in 2012 for completion of a certain part of the project, and (ii) a service fee the OVU Group received in 2012 for commencement of a certain development phase in accordance with relevant project development and payment schedules; and

(iii) an increase by RMB2.3 million, or 52.3%, in turnover from development management services for the Wuhan Future Technology City (Phase I) from RMB4.4 million for the year ended 31 December 2011 to RMB6.7 million for the year ended 31 December 2012, primarily due to a general increase in the OVU Group's service fees from 2011 to 2012 in accordance with relevant project development and payment schedules, and

which were partially offset by a decrease by RMB4.6 million in turnover from development management services for the Lido Liuyuan from RMB4.6 million for the year ended 31 December 2011 to nil for the year ended 31 December 2012 as the OVU Group completed a certain follow-up phase of the project in accordance with relevant contractual terms during 2011.

Cost of Sales

Overview

The OVU Group's cost of sales increased by RMB205.7 million, or 20.0%, from RMB1,029.7 million for the year ended 31 December 2011 to RMB1,235.4 million for the year ended 31 December 2012, primarily due to (i) an overall increase in cost of properties sold as a result of the increase in the total GFA of the business park and residential projects sold to the OVU Group's customers, and (ii) increases in costs relating to the OVU Group's service businesses (including business operation services, construction contract and development management services) as the OVU Group provided these services to an increasing number of customers.

Cost of Properties Sold

Cost of properties sold increased by 11.3% from RMB860.5 million for the year ended 31 December 2011 to RMB957.6 million for the year ended 31 December 2012. The increase in cost of properties sold was primarily due to an overall increase in construction costs, land costs and finance costs as a result of the increase in the total GFA sold to the OVU Group's customers mainly in respect of the Optics Valley Financial Harbour (Phase II – Buildings B1, B3-B5 and B9-B11), the Optics Valley Software Park (Phase V – Buildings B1-B2) and (Phase VI), and the Lido Top View as the OVU Group developed and completed an increasing number of developments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the OVU Group's overall gross profit increased by RMB201.1 million, or 53.6%, from RMB375.5 million for the year ended 31 December 2011 to RMB576.6 million for the year ended 31 December 2012. The OVU Group's overall gross profit margin increased from 26.7% for the year ended 31 December 2011 to 31.8% for the year ended 31 December 2012 primarily because the ASPs of business park and residential projects increased from 2011 to 2012 and the gross profit from sales of properties in the Optics Valley Software Park (Phase VI) contributed to the OVU Group's overall gross profit after the OVU Group controlled the Wuhan Optics Valley Software as a wholly-owned subsidiary and consolidated relevant turnover in 2012.

Other Income

The OVU Group's other income increased by RMB6.0 million from RMB1.5 million for the year ended 31 December 2011 to RMB7.5 million for the year ended 31 December 2012, primarily due to (i) an increase of RMB3.9 million in government grants the OVU Group received from local governmental authorities in Wuhan, Ezhou and Huangshi for the development of business parks focusing on the industries promoted by these authorities, (ii) net gain on disposal of other non-current assets of RMB1.4 million from the sale of antique and art work collections to two related parties, Wuhan Qianbao Property Co., Ltd（武漢千寶置業有限公司）("Wuhan Qianbao Property") and Wuhan Lido Investment Co., Ltd（武漢麗島投資有限公司）("Wuhan Lido Investment"), (iii) compensation income of RMB499,000 as third party construction contractors failed to complete certain development phases of the projects in accordance with agreed progress schedules and paid penalties to the OVU Group pursuant to contractual terms, and (iv) an increase in others mainly in relation to sale of waste materials after completion of construction work.

Selling and Distribution Expenses

The OVU Group's selling and distribution expenses increased by RMB18.5 million, or 89.4%, from RMB20.7 million for the year ended 31 December 2011 to RMB39.2 million for the year ended 31 December 2012, primarily because (i) the OVU Group's advertising and promotional expenses increased as the OVU Group engaged in more sales, marketing and advertising activities and hired more sales agents to promote its increasing number of projects, (ii) sales and marketing staff costs increased as the OVU Group increased its sales and marketing employee headcount from 56 as at 31 December 2011 to 75 as at 31 December 2012 for the increasing number of projects the OVU Group developed, and (iii) the OVU Group's travel and communication expenses increased as the OVU Group expanded its sales and marketing operation scale.

Administrative Expenses

The OVU Group's administrative expenses increased by RMB33.2 million, or 39.0%, from RMB85.1 million for the year ended 31 December 2011 to RMB118.3 million for the year ended 31 December 2012, primarily because (i) administrative staff costs increased as the OVU Group increased its administrative employee headcount from 226 as at 31 December 2011 to 272 as at 31 December 2012 for the increasing number of projects the OVU Group developed and completed, (ii) the OVU Group's office administration expenses, as well as travel, meeting and communication expenses, increased as the OVU Group expanded its general operation scale, and (iii) the OVU Group increased fees paid to finance, accounting and legal professionals for its expanded business.

Other Expenses

The OVU Group's other expenses decreased by RMB228,000, or 32.1%, from RMB710,000 for the year ended 31 December 2011 to RMB482,000 for the year ended 31 December 2012. The decrease was primarily due to a decrease in net loss on disposal of property, plant and equipment of RMB453,000, partially offset by an increase in others of RMB277,000. Others of RMB65,000 for the year ended 31 December 2011 included only vehicle depreciation costs. Others of RMB342,000 for the year ended 31 December 2012 mainly included (i) a compensation of RMB160,000 by Wuhan Lido Property Management Co., Ltd （武漢麗島物業管理有限公司）("Wuhan Lido Property Management") to employees in relation to a work-related injury, and (ii) donation expenditure of RMB70,000.

Increase in Fair Value of Investment Properties

Fair value gains on the OVU Group's investment properties decreased by RMB14.2 million, or 63.4%, from RMB22.4 million for the year ended 31 December 2011 to RMB8.2 million for the year ended 31 December 2012. Fair value gains were recorded in both years primarily due to the increasing property prices of the OVU Group's investment properties as overall rental prices in local markets generally increased.

Finance Income

The OVU Group's finance income increased by RMB6.9 million, or 55.2%, from RMB12.5 million for the year ended 31 December 2011 to RMB19.4 million for the year ended 31 December 2012, primarily because (i) the OVU Group's interest income on loans and receivables increased by RMB5.3 million, or 52.0%, from RMB10.2 million for the year ended 31 December 2011 to RMB15.5 million for the year ended 31 December 2012, and (ii) the net realised and unrealised gains on other investments increased by RMB1.4 million, or 63.6%, from RMB2.2 million for the year ended 31 December 2011 to RMB3.6 million for the year ended 31 December 2012, mainly attributable to the purchase of short-term low-risk financial products for capital preservation, which the OVU Group subsequently sold at gains.

Finance Costs

The OVU Group's finance costs decreased by RMB7.4 million, or 82.2%, from RMB9.0 million for the year ended 31 December 2011 to RMB1.6 million for the year ended 31 December 2012, primarily due to a decrease in the net realised and unrealised losses on other investments by RMB7.1 million, or 92.2%, from RMB7.7 million for the year ended 31 December 2011 to RMB586,000 for the year ended 31 December 2012, mainly attributable to the disposal of listed and newly issued equity securities at losses.

Share of Losses of Associates

Share of losses of associates decreased by RMB4.1 million, or 91.1%, from RMB4.5 million for the year ended 31 December 2011 to RMB386,000 for the year ended 31 December 2012. The OVU Group had share of losses of associates of RMB4.5 million for the year ended 31 December 2011, which consisted of (i) the OVU Group's proportional share of losses in Wuhan Xuefu in relation to development costs incurred for the Romantic Town prior to the OVU Group's acquisition of Wuhan Xuefu as a subsidiary in November 2011, and (ii) the OVU Group's proportional share of losses in Wuhan Integrated Circuit Design Technology Co., Ltd（武漢集成電路設計工程技術有限公司）("Wuhan Integrated Circuit Design Technology"). The OVU Group had share of losses of associates of RMB386,000 for the year ended 31 December 2012, primarily due to the OVU Group's proportional share of losses in Wuhan Integrated Circuit Design Technology.

Share of Losses of Joint Ventures

Share of losses of joint ventures increased by RMB4.5 million from RMB247,000 for the year ended 31 December 2011 to RMB4.7 million for the year ended 31 December 2012. Share of losses of joint ventures represented the OVU Group's proportional share of losses in Wuhan Mason Property Co., Ltd （武漢美生置業有限公司）("Wuhan Mason") according to the OVU Group's 50% equity interest in Wuhan Mason. Wuhan Mason generated losses primarily due to selling and distribution expenses and administrative expenses incurred in connection with sale of properties in the Lido Mason (Phase I) in 2012.

Net Gain on Disposal of Associates

Net gain on disposal of associates decreased from RMB68.8 million for the year ended 31 December 2011 to nil for the year ended 31 December 2012 as a result of the OVU Group's acquisition of a further 2% equity interest in Wuhan Xuefu at a consideration of RMB4.4 million and controlled it as a subsidiary in November 2011. From an accounting perspective, the 49% non-controlling equity interest in Wuhan Xuefu that the OVU Group had previously held was deemed to be disposed of to a third party at the fair market value which resulted in the recognition of net gain on disposal of associates of RMB68.8 million for the year ended 31 December 2011.

Income Tax

The OVU Group's income tax expenses increased by RMB32.4 million, or 23.6%, from RMB137.0 million for the year ended 31 December 2011 to RMB169.4 million for the year ended 31 December 2012. The increase in income tax was primarily due to (i) an increase in PRC corporate income tax of RMB14.6 million, (ii) an increase in PRC land appreciation tax of RMB0.9 million as the OVU Group's pre-tax profit increased in line with the growth in the profit from the OVU Group's property development, and (iii) a decrease in reversal of temporary differences of deferred taxation of RMB16.9 million.

Profit from Continuing Operation

As a result of the foregoing, the OVU Group's profit from continuing operation increased by RMB54.3 million, or 24.3%, from RMB223.4 million for the year ended 31 December 2011 to RMB277.7 million for the year ended 31 December 2012.

Profit from Discontinued Operation (Net of Income Tax)

The OVU Group's profit from discontinued operation (net of income tax) decreased from RMB35.8 million for the year ended 31 December 2011 to nil for the year ended 31 December 2012 because as part of the strategic efforts to focus on the business park development and operation, the OVU Group disposed of its 81.0% equity interest in Wuhan Kernel Bio-Tech Co., Ltd（武漢科諾生物科技股份有限公司）, which operated bio-pesticide manufacturing business, to an independent third party, on normal commercial terms at a consideration of RMB102.8 million in 2011.

Profit for the Year

As a result of the foregoing, the OVU Group's profit for the year increased by RMB18.5 million, or 7.1%, from RMB259.2 million for the year ended 31 December 2011 to RMB277.7 million for the year ended 31 December 2012.

Liquidity and Capital Resources

The OVU Group uses cash primarily to pay for construction costs, land costs (principally payment of land premiums), infrastructure costs and finance costs incurred in connection with the OVU Group's property developments, service its indebtedness, and fund its working capital and normal recurring expenses. As at 10 March 2014, the OVU Group has primarily financed its expenditures through internally generated cash flows, being primarily cash generated through pre-sale and sale of its properties (including progress payments from customers of its customised development projects and sales deposits from customers of its pre-sold properties), and proceeds from bank loans and other borrowings.

The following table presents selected cash flow data from the OVU Group's consolidated cash flow statement for the period indicated:

	Year ended 31 December 2012
	RMB'000
Net cash used in operating activities	(309,144)
Net cash generated from investing activities	120,199
Net cash generated from financing activities	275,082
Net increase in cash and cash equivalents	86,137
Cash and cash equivalents at beginning of the year	861,762
Cash and cash equivalents at end of the year	947,899

Operating Activities

For the year ended 31 December 2012, the OVU Group's net cash used in operating activities was RMB309.1 million, while the OVU Group's net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB437.0 million. The difference of RMB746.1 million was primarily attributable to (i) an increase in properties under development, completed properties held for sales and inventories of RMB993.6 million mainly in relation to funds used for the development and sale of the Creative Capital, the Lido 2046, the Wuhan Innocenter, the Optics Valley Financial Harbour (Phase II), the Optics Valley Software Park (Phase V), and the Qingdao Optics Valley Software Park, and (ii) a decrease in trade and other payables of RMB81.3 million mainly because the OVU Group paid construction contractors and other suppliers in relation to the Optics Valley Financial Harbour (Phase II) as a certain phase of the project was completed in 2012 in accordance with the development schedule, and partially offset by a decrease in trade and other receivables of RMB490.2 million primarily as a result of payment for outstanding balances by customers.

Investing Activities

For the year ended 31 December 2012, the OVU Group's net cash generated from investing activities was RMB120.2 million, which was primarily attributable to (i) net cash inflow in total of RMB91.9 million in connection with the OVU Group's acquisitions of the Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd（武漢光谷節能科技園有限公司）("Energy Conservation Technology"), the Wuhan Financial Harbour Development Co., Ltd （武漢金融港開發有限公司）("Wuhan Financial Harbour Development") and the Wuhan Optics Valley Software as subsidiaries, (ii) loan repayment of RMB45.0 million from the OVU Group's joint venture, Wuhan Mason, (iii) proceeds from disposal of non-current asset of RMB48.7 million in relation to sale of antique and art work collections to two related parties, Wuhan Qianbao Property and Wuhan Lido Investment, (iv) interest received of RMB15.5 million, and (v) proceeds from sales of other investments of RMB15 million in relation to sale of trading securities and other financial investment products, partially offset by (i) acquisition of other investments of RMB50 million primarily in relation to investment in financial products, and (ii) acquisition of property, plant and equipment in the amount of RMB44.8 million mainly including construction in progress and motor vehicles for the OVU Group's expanded property developments.

Financing Activities

For the year ended 31 December 2012, the OVU Group's net cash generated from financing activities was RMB275.1 million, which was primarily attributable to (i) proceeds from loans and borrowings of RMB1,198.0 million, (ii) proceeds from loans from Hubei Science & Technology Investment Co., Ltd （湖北省科技投資集團有限公司）("Hubei Science & Technology Investment"), a substantial shareholder of OVU, in the amount of RMB236.9 million, (iii) a decrease in restricted cash of RMB217.9 million as the OVU Group had pledged cash deposits against certain trade and other payables and subsequently replaced the collateral with properties under development for sale and completed properties held for sale, and (iv) capital contribution from equity holders of RMB33.2 million mainly in relation to capital contributions from minority shareholders of Energy Conservation Technology, and partially offset by (i) repayment of bank and other loans of RMB606.9 million, (ii) repayment of loans from Hubei Science & Technology Investment in the amount of RMB527.1 million, (iii) interest and other borrowing costs paid of RMB127.0 million, and (iv) dividend paid of RMB85.1 million.

Financial Position

Investment Properties

The following table sets forth the fair value of the OVU Group's investment properties for the year ended 31 December 2012:

	Investment property *RMB'000*
At 1 January 2012	291,200
Additions	433
Fair value adjustment	8,167
At 31 December 2012	299,800
Representing:	
Cost	109,388
Valuation	190,412
	299,800

The carrying amount of investment properties increased by RMB8.6 million, or 3.0%, from RMB291.2 million as at 31 December 2011 to RMB299.8 million as at 31 December 2012, primarily due to: (i) additions of RMB433,000 as the OVU Group made renovation, decoration and other improvements to increase the property value of investment properties, and (ii) fair value adjustment of RMB8.2 million reflecting a rise in the property prices of the OVU Group's investment properties.

Properties under Development

The following table sets forth certain data with respect to the OVU Group's properties under development as at the date indicated:

	As at 31 December 2012
	RMB'000
Expected to be recovered within one year	
– Properties under development for sale	782,940
Expected to be recovered after more than one year	
– Properties held for future development for sale	117,673
– Properties under development for sale	829,237
	946,910
Total	1,729,850

The carrying amount of properties under development increased by RMB25.0 million, or 1.46%, from RMB1,704.9 million as at 31 December 2011 to RMB1,729.9 million as at 31 December 2012, primarily due to the development of the Optics Valley Software Park (Phases I-IV) and (Phase V), the Optics Valley Financial Harbour (Phase II), the Wuhan Innocenter (Phase I) and (Phase II), and the Lido 2046.

Properties under development with an aggregate carrying value of RMB543.1 million as at 31 December 2012, were pledged for certain bank loans granted to the OVU Group.

Completed Properties Held for Sale

The carrying amount of completed properties held for sale increased by RMB632.2 million, or 204.6%, to RMB941.2 million as at 31 December 2012 from RMB309.0 million as at 31 December 2011, primarily due to increases in completed properties held for sale in respect of the Optics Valley Financial Harbour (Phase II) and the Wuhan Innocenter.

Completed properties held for sale with an aggregate carrying value of RMB34.8 million as at 31 December 2012, were pledged for certain bank loans granted to the OVU Group.

Trade and Other Receivables

The following table sets forth certain data with respect to the OVU Group's trade and other receivables as at the date indicated:

	As at 31 December 2012
	RMB'000
Amounts due from third parties	
– Trade receivables	136,712
Amounts due from non-controlling equity holders	32,258
Amounts due from related parties	5,318
Prepayment	
– for properties held for development	668,078
– for construction cost and raw materials	111,718
Prepaid business tax and other tax	66,653
Others	80,794
Total	1,101,531

The OVU Group's trade receivables due from third parties increased by RMB81.8 million, or 149.0%, from RMB54.9 million as at 31 December 2011 to RMB136.7 million as at 31 December 2012, mainly in relation to (i) an increase in the outstanding balance for decoration and improvement services that Wuhan Lido Technology provided for building external and interior areas in the OVU Group's business parks and property developments projects owned by third parties, and (ii) an increase in the number of customised development projects for which customers were required to make remaining progress payments according to agreed milestone schedules after delivery of properties as the OVU Group developed an increasing number of customised projects. All trade and other receivables are denominated in RMB and are neither past due nor impaired.

The OVU Group's trade receivables were primarily related to proceeds from the sales of properties. Proceeds from the sales of properties are settled by full payments or paid by installments in accordance with the terms of the relevant sale and purchase agreements. If a full payment is made, the settlement is normally required on the same day for signing of the sales contract. If payments are made in installments, 50% of the purchase price is typically required to be paid by the purchaser to the OVU Group upon signing of the sale and purchase agreement, while the remaining amount is required to be paid within one year after signing of the sale and purchase agreement. The title of a property is typically transferred to the purchaser only upon the full payment of the purchase price by the purchaser.

The OVU Group's prepayments were primarily related to land acquisition prices prepaid to the relevant local land authorities, and prepayments for construction material procurement and engaging contractors. The OVU Group's prepayments increased, mainly attributable to prepayments for land acquisition prices, construction material procurement and engaging contractors in relation to the OVU Group's property developments.

The OVU Group's prepaid business tax and other tax were primarily related to business tax and other tax prepaid on customised development projects and pre-sold properties. The OVU Group's prepaid business tax and other tax increased, in accordance with project development schedules as the OVU Group developed an increasing number of projects.

The amounts due from related parties primarily consist of (i) trade receivables in relation to construction services Wuhan Lido Technology provided to Wuhan Mason and Wuhan Xuefu, (ii) the OVU Group's loans to Mr. Huang Liping and his controlled entity, Wuhan Qianbao Property, and (iii) amounts due from other equity holders. The amounts due from related parties decreased by RMB15.0 million, or 73.9%, from RMB20.3 million as at 31 December 2011 to RMB5.3 million as at 31 December 2012 primarily due to (i) a decrease in advances to Wuhan Qianbao Property, and (ii) a decrease in amounts due from other equity holders. The amounts due from related parties as set forth in the table above are unsecured, interest free and have no fixed terms of repayment. Except for the construction services Wuhan Lido Technology provided to Wuhan Mason in normal course of property development business, all the other amounts due from related parties were fully settled before listing of OVU's shares on 28 March 2014.

The amounts due from non-controlling equity holders consist primarily of the OVU Group's advances to Hubei Science & Technology Investment and Wuhan East Lake High Technology Group Co., Ltd（武漢東湖高新集團股份有限公司）, respectively, in relation to certain property development projects. The amounts due from non-controlling equity holders fluctuated for the year ended 31 December 2011 and 2012, as the OVU Group made advances to Hubei Science & Technology Investment and Wuhan East Lake High Technology Group Co., Ltd（武漢東湖高新集團股份有限公司）, respectively, in relation to business park development. The amounts due from non-controlling equity holders were fully settled before listing of OVU's shares on 28 March 2014.

The others consist primarily of the OVU Group's advances to construction companies in relation to property development, advances to employees, and performance bonds in relation to development management projects. Others increased, primarily due to an increase in advances to construction companies as the OVU Group engaged more contractors for the increasing number of projects developed, and an increase in performance bonds in relation to an increasing number of development management projects the OVU Group was engaged.

The aging analysis of the OVU Group's trade receivables as at the date indicated is as follows:

	As at 31 December 2012
	RMB'000
Within 1 month	92,087
Over 1 month and within 3 months	1,955
Over 3 months and within 6 months	16,593
Over 6 months	26,077
Total	136,712

The average trade receivables turnover days were 27 days for the year ended 31 December 2012. The average trade receivables turnover days are calculated by dividing the average of opening and ending balance of trade receivables for the relevant period by the corresponding turnover for the period and then multiplying by the number of days in that period. The average trade receivables turnover days for the year ended 31 December 2012 was relatively high, primarily because the OVU Group offered favorable terms and granted longer credit period to certain customers in respect of large-scale customised properties they purchased.

Trade and Other Payables

The following table sets forth certain data with respect to the OVU Group's trade and other payables as at the date indicated:

	As at 31 December 2012
	RMB'000
Amounts due to third parties	
– Trade payables	731,661
– Receipts in advance	1,263,451
– Accrued payroll	23,309
– Other payables and accruals	193,366
	2,211,787
Amounts due to non-controlling equity holders	491,212
Amounts due to related parties	102,325
	593,537
Total	2,805,324

The OVU Group's trade payables due to third parties increased by RMB105.0 million, or 16.8%, from RMB626.7 million as at 31 December 2011 to RMB731.7 million as at 31 December 2012. The OVU Group's trade payables mainly represented the amounts due to contractors. Payment to contractors is made in installments according to agreed progress milestones. The OVU Group normally retains 5% as retention payment. Included in the OVU Group's trade payables were retention payables which were expected to be settled after more than one year and amounted to RMB28.5 million as at 31 December 2012.

The OVU Group's receipts in advance consisted primarily of progress payments from customers of the OVU Group's customised development projects and earnest money deposits from customers in respect of the OVU Group's pre-sold properties. Proceeds of progress payments with respect to the OVU Group's customised development projects and proceeds of sale deposits with respect to pre-sold properties are recognised as turnover when the construction of relevant properties is completed, such properties are delivered to purchasers and a large majority of the sales proceeds is paid to the OVU Group by the purchaser as significant risks and rewards of ownership are transferred to the purchaser. The OVU Group's receipts in advance increased by RMB243.0 million, or 23.8%, from RMB1,020.5 million as at 31 December 2011 to RMB1,263.5 million as at 31 December 2012, primarily because the OVU Group received from customers more progress payments in respect of customised properties in business park projects and more earnest money deposits in respect of pre-sold properties as the OVU Group developed an increasing number of projects during 2012.

The OVU Group's accrued payroll consisted primarily of employee salaries, annual performance-based bonus payments and other benefits. The OVU Group generally estimates annual bonus payments in the fourth quarter of each year based on the OVU Group's forecast of financial performance that year and make the bonus payments to the OVU Group's employees around the Chinese New Year holiday in the next year. The OVU Group's accrued payroll decreased by RMB6.7 million, or 22.3%, from RMB30.0 million as at 31 December 2011 to RMB23.3 million as at 31 December 2012, primarily because the OVU Group overestimated the accrued payroll for 2011 and used the extra amount to offset against the accrued payroll for 2012.

The OVU Group's other payables and accruals primarily consisted of fees payable to contractors in relation to development management projects, fees payable for operation of the OVU Group's projects, payable to contractors in respect of quality assurance deposits, payable to customers in respect of decoration and improvement deposits and rental deposits, payable to property purchaser in respect of deposits, and business tax payable. The OVU Group's other payables and accruals increased by RMB11.9 million, or 6.6%, from RMB181.5 million as at 31 December 2011 to RMB193.4 million as at 31 December 2012, primarily due to an increase in fees payable to contractors in relation to development management projects, and an increase in fees payable for operation of the OVU Group's projects.

The amounts due to non-controlling equity holders consist primarily of (i) principal, interest and other payables under entrusted loan arrangements on normal commercial terms, whereby the OVU Group was the ultimate fund user for the unsecured loan which Hubei Science & Technology Investment borrowed from a third party bank and the OVU Group was responsible for all payments actually incurred by Hubei Science & Technology Investment, (ii) receipt in advance from Hubei Science & Technology Investment in respect of certain properties to be delivered, and (iii) shareholder loans from Hubei Science & Technology Investment to Energy Conservation Technology and Wuhan Financial Harbour

Development in relation to business park development in proportion to its equity interests in the respective project companies. Save for the shareholder loans from Hubei Science & Technology Investment which is a fully exempted connected transaction, all the other amounts due to non-controlling equity holders were fully settled before listing of OVU's shares on 28 March 2014.

The amounts due to related parties increased by RMB78.6 million, or 331.6%, from RMB23.7 million as at 31 December 2011 to RMB102.3 million as at 31 December 2012, primarily due to an increase in dividend payables and an increase in other payables to Mr. Huang Liping during the same period. The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment. Save for the amount of RMB1.9 million due to Wuhan Mason in the normal course of development management service business, all the other amounts due to related parties were fully settled before listing of OVU's shares on 28 March 2014.

The aging analysis of the OVU Group's trade payables as at the date indicated is as follows:

	As at 31 December 2012
	RMB'000
Within 1 month	379,902
Over 1 month and within 12 months	111,392
Over 12 months	240,367
Total	731,661

The average trade payables turnover days were 213 days for the year ended 31 December 2012. The average trade payables turnover days are calculated by dividing the average of opening and ending balance of trade payables for the relevant period by the corresponding cost of sales in the same period and then multiplying by the number of days in that period. The average trade payables turnover days for the year ended 31 December 2012 was relatively low primarily because the OVU Group paid construction contractors and other suppliers in relation to the Optics Valley Financial Harbour (Phase II) as a certain phase of the project was completed in accordance with the development schedule in 2012.

Key Financial Ratios

The table below sets forth certain of the OVU Group's key financial ratios as at the date or for the period indicated:

	As at/for the year ended 31 December 2012
Return on equity[(1)]	20.0%
Current ratio[(2)]	1.47
Quick ratio[(3)]	64.0%
Net debt to equity ratio[(4)]	18.8%
Gearing ratio[(5)]	87.1%

Notes:

(1) Profit from continuing operations/total equity x 100%.

(2) Current assets/current liabilities.

(3) (Current assets – inventories)/current liabilities.

(4) Net debt/total equity x 100%; net debt comprises short-term borrowings and long-term borrowings minus cash and cash equivalents.

(5) Total debt/total equity x 100%; total debt comprises short-term borrowings and long-term borrowings.

The OVU Group's return on equity ratio remained relatively stable for the year ended 31 December 2011 (19.4%) and 2012, mainly because its net profit increased during the same period primarily as a result of an increase in the total GFA completed and sold in respect of its business park and residential projects and an increase in the ASP, net of business tax, of the total GFA sold for its projects which were developed in a more mature and advanced stage with well-developed infrastructure and supporting facilities.

The OVU Group's current ratio increased from 1.38 as at 31 December 2011 to 1.47 as at 31 December 2012, mainly attributable to an increase in the OVU Group's current assets primarily as a result of increases in properties under development and completed properties held for sale as the OVU Group developed an increasing number of projects while the terms of a majority of loans and other borrowings for its property development were more than one year and its current liabilities increased at a slower pace compared to current assets.

The OVU Group's quick ratio increased from 58.6% as at 31 December 2011 to 64.0% as at 31 December 2012, as the OVU Group sold completed properties held for sale to customers and recognised revenue.

The OVU Group's net debt to equity ratio increased from -21.2% as at 31 December 2011 to 18.8% as at 31 December 2012, primarily because the OVU Group increased bank loans and other borrowings for the OVU Group's development projects.

The OVU Group's gearing ratio increased from 53.7% as at 31 December 2011 to 87.1% as at 31 December 2012, primarily because the OVU Group increased bank loans and other borrowings for an increasing number of development projects.

Indebtedness

The OVU Group's borrowings during the year ended 31 December 2012 were denominated in Renminbi. The following table sets forth a breakdown of the OVU Group's current and non-current bank loans and other borrowings as at the date indicated:

	As at 31 December 2012
	RMB'000
Current	
Secured	
– Bank loans	100,000
– Current portion of non-current bank loans	264,165
	364,165
Unsecured	
– Bank loans	42,000
– Current portion of non-current other borrowings	70,000
– Other payable[(1)]	104,724
	216,724
Subtotal	580,889
Non-current	
Secured	
– Bank loans	997,165
Less: Current portion of non-current bank loans	(264,165)
	733,000
Total	1,313,889

Note:

(1) Other payable represented advance from a non-controlling equity holder which was included in trade and other payables in the consolidated statement of financial position of the OVU Group as at 31 December 2012.

The OVU Group's total outstanding bank loans and other borrowings increased by RMB695.8 million, or 112.6%, from RMB618.1 million as at 31 December 2011 to RMB1,313.9 million as at 31 December 2012 primarily due to the increased funding needs to finance the OVU Group's expanded property development.

The annual interest rates of the OVU Group's bank loans and other borrowings ranged from 5.4% to 8.32% for the year ended 31 December 2012.

As at 31 December 2012, RMB1,097.2 million of the OVU Group's outstanding bank borrowings were secured by the OVU Group's assets with an aggregate net book value of RMB626.6 million, a summary of which is set forth in the table below:

	As at 31 December 2012
	RMB'000
Investment properties	35,300
Properties under development for sale	543,094
Completed properties held for sale	34,796
Property, plant and equipment	13,369
Total	626,559

The following table sets forth a summary of the OVU Group's current and non-current bank loans and other borrowings by maturity, as at the date indicated:

	As at 31 December 2012
	RMB'000
Within 1 year or on demand	476,165
After 1 year but within 2 years	109,000
After 2 years but within 5 years	414,000
More than 5 years	210,000
Total	1,209,165

Contingent Liabilities

In accordance with market practice, the OVU Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of its pre-sold properties. Guarantees for mortgages on pre-sold properties begin simultaneously with the respective mortgages, and are generally discharged at the earlier of: (i) the customer obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the customer. Pursuant to terms of the OVU Group's guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a customer, the OVU Group is responsible to repay to the bank outstanding balance of the mortgage loan as well as accrued interests and penalties owed by the defaulted customer. If the OVU Group fails to do so, the mortgagee bank will auction the underlying property and recover the remaining balance from the OVU Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the OVU Group does not conduct independent credit checks on its customers but rely on the credit checks conducted by the mortgagee banks.

As at 31 December 2012, the outstanding guarantees for mortgage loans by the customers of the OVU Group's pre-sold properties were RMB453.4 million. The OVU Group believes that in case of default on mortgage loan payments by customers, it is not probable that the OVU Group will sustain a loss because the OVU Group can take over the ownerships of underlying properties and sell them at fair market values to recover the outstanding balances of mortgage loans the OVU Group has guaranteed. OVU's directors are of the view that the fair value of these guarantees is not significant and the OVU Group has not recognised any deferred income in respect of these guarantees.

Capital Expenditure and Capital Commitment

For the year ended 31 December 2012, the OVU Group's capital expenditure were primarily related to expenditure for the OVU Group's purchases of property, plant and equipment in relation to property development, and purchases of intangible assets.

The following table sets forth a breakdown of the OVU Group's capital expenditure for the period indicated:

	For the year ended 31 December 2012
	RMB'000
Property, plant and equipment	99,477
Intangible assets	4,246
Total	103,723

The OVU Group's capital expenditure increased by RMB37.0 million, or 55.5%, from RMB66.7 million for the year ended 31 December 2011 to RMB103.7 million for the year ended 31 December 2012. The OVU Group's purchases of property, plant and equipment increased mainly in relation to its purchases of distributed energy supply stations and transmission power lines for the Energy Conservation Technology. The OVU Group's purchases of intangible assets increased primarily in relation to the OVU Group's purchases of software for the establishment and development of its integrated office automation system.

As at 31 December 2012, the OVU Group had the outstanding balance of commitment related to property development expenditure as follows:

	As at 31 December 2012
	RMB'000
Contracted but not provided for	2,452,296

Foreign Exchange Risk

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

FOR THE YEAR ENDED 31 DECEMBER 2013

Reorganisation

OVU was incorporated in the Cayman Islands on 15 July 2013 as an exempted company with limited liability. To prepare for the listing of its ordinary shares on the Stock Exchange, the companies comprising the OVU Group underwent a reorganisation to optimise the OVU Group's structure, pursuant to which OVU became the holding company of the OVU Group.

Results of Operations

Turnover

The OVU Group generated turnover from sale of business parks and residential properties, business operation services, construction contract, property leasing and development management services. During the year ended 31 December 2013, turnover of the OVU Group increased by RMB154.3 million, or 8.5%, to RMB1,966.3 million from RMB1,812.0 million for the year ended 31 December 2012. The major contributor to the OVU Group's turnover in 2013 was sales of properties in its projects.

The following table illustrates the OVU Group's turnover by operating segment for the years indicated:

	Years ended 31 December			
	2012		2013	
	Turnover	% of total	Turnover	% of total
	RMB'000		*RMB'000*	
Property development	1,431,893	79.0	1,580,002	80.3
Construction contract	195,056	10.8	184,577	9.4
Business operation services	131,331	7.2	150,882	7.7
Development management services	36,099	2.0	27,343	1.4
Property leasing	17,635	1.0	23,544	1.2
Total	1,812,014	100.0	1,966,348	100.0

Property Development

Turnover of the OVU Group from sale of business parks and residential properties increased by RMB148.1 million, or 10.3%, from RMB1,431.9 million for the year ended 31 December 2012 to RMB1,580.0 million for the year ended 31 December 2013, primarily due to an increase in the total GFA of business park projects sold to its customers as the OVU Group developed and completed an increasing number of development projects. Moreover, the average selling price of properties sold in the Optics Valley Software Park (Phase II) increased as the project of the OVU Group entered into a more mature and advanced stage with well-developed infrastructure and supporting facilities.

Construction Contract

Turnover of the OVU Group from construction contract decreased by RMB10.5 million, or 5.4%, from RMB195.1 million for the year ended 31 December 2012 to RMB184.6 million for the year ended 31 December 2013, primarily because Wuhan Lido Technology provided decoration and improvement services increasingly to the OVU Group's project companies, rather than external customers, as the OVU Group strengthened its vertically integrated business model along the value-chain of the business park development industry.

Business Operation Services

Turnover of the OVU Group from business operation services increased by RMB19.6 million, or 14.9%, from RMB131.3 million for the year ended 31 December 2012 to RMB150.9 million for the year ended 31 December 2013, primarily because the OVU Group has developed and completed an increasing number of business parks, expanded the scope of services and increased the number of customers in its business parks.

Development Management Services

Turnover of the OVU Group from development management services decreased by RMB8.8 million, or 24.4%, from RMB36.1 million for the year ended 31 December 2012 to RMB27.3 million for the year ended 31 December 2013, primarily due to a decrease in service fees earned for property development as the OVU Group completed the major development stages of the Wuhan Hi-Tech Medical Devices Business Park (Phase I), the Wuhan Future Technology City (Phase I) and the Lido Mason (Phase I) in 2012 in accordance with the relevant project development schedules, partially offset by the bonus payment from the Wuhan Municipal Government in 2013 for the completion of the major development phase of the Wuhan Hi-Tech Medical Devices Business Park (Phase I) at a cost lower than estimated.

Property Leasing

Turnover of the OVU Group from property leasing increased by RMB5.9 million, or 33.5%, from RMB17.6 million for the year ended 31 December 2012 to RMB23.5 million for the year ended 31 December 2013, primarily due to an increase in rental income from apartment buildings in the Optics Valley Financial Harbour (Phase I) as the property value and average rental price of investment properties in the project increased, partially offset by a decrease in investment properties as the OVU Group sold certain shopping units in the Romantic Town to a third-party customer who was willing to pay higher prices for such investment properties.

Cost of Sales

Overview

Cost of sales comprised primarily (i) cost of properties sold in respect of the OVU Group's property development business (mainly including land acquisition costs, construction costs, capitalised interest and other costs for fair value adjustment in relation to acquisition of project companies), (ii) cost of construction services (mainly including construction costs for decoration and improvement services provided by Wuhan Lido Technology), and (iii) other costs relating to other service businesses (including business operation services, construction contract and development management services). For the year ended 31 December 2012 and 2013, cost of sales of the OVU Group were 68.2% and 63.8% of its turnover, respectively.

During the year ended 31 December 2013, cost of sales of the OVU Group increased by RMB18.8 million, or 1.5%, to RMB1,254.2 million from RMB1,235.4 million for the year ended 31 December 2012, primarily due to (i) an overall increase in cost of properties sold as a result of the increase in the total GFA of the business park projects sold to the OVU Group's customers, and (ii) an increase in costs relating to the OVU Group's service businesses (including business operation services, construction contract and development management services) as the OVU Group provided different services to an increasing number of customers.

Cost of Properties Sold

Cost of properties sold consisted primarily of costs incurred directly for the OVU Group's property development activities, including land acquisition costs, construction costs, capitalised interest and other costs for fair value adjustment in relation to acquisition of project companies. For the year ended 31 December 2012 and 2013, cost of properties sold of the OVU Group accounted for 77.5% and 76.2% of its total cost of sales, respectively.

During the year ended 31 December 2013, cost of properties sold decreased by RMB1.7 million, or 0.2%, to RMB955.9 million from RMB957.6 million for the year ended 31 December 2012, despite there was an increase in turnover for property development. This was mainly due to the fact that in 2012 the OVU Group recorded an increase in cost of properties sold resulted from other costs for fair value adjustment in relation to acquisition of project companies. As there was no such other costs for fair value adjustment in 2013, the overall cost of properties sold decreased, and this positive impact on the cost of properties sold were partially off-set by the increase in construction costs, land costs and finance costs as a result of the increase in the total GFA sold to the OVU Group's customers mainly in respect of the Optics Valley Financial Harbour (Phase II — Buildings B1-B20), the Optics Valley Software Park (Phase V), the Wuhan Innocenter (Phase I) and the Ezhou OVU Science and Technology City (Phase I).

Gross Profit and Gross Profit Margin

As a result of the foregoing, during the year ended 31 December 2013, overall gross profit of the OVU Group increased by RMB135.6 million, or 23.5%, to RMB712.2 million from RMB576.6 million in 2012. Overall gross profit margin of the OVU Group increased from 31.8% in 2012 to 36.2% in 2013.

Other Income

During the year ended 31 December 2013, other income of the OVU Group increased by RMB14.5 million, or 193.3%, to RMB22.0 million from RMB7.5 million in 2012, primarily due to an increase of RMB13.0 million in net gain on disposal of certain office properties and assets held for sale and investment to third-party customers in the fourth quarter of 2013 after the OVU Group relocated its head office to a new building.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprised advertising and promotional expenses, sales and marketing staff cost, travel and communication expenses, office administration expenses, depreciation expenses and others. For the year ended 31 December 2012 and 2013, selling and distribution expenses of the OVU Group were 2.2% and 2.4% of its total turnover for the same period, respectively.

During the year ended 31 December 2013, selling and distribution expenses of the OVU Group increased by RMB8.3 million, or 21.2%, to RMB47.5 million from RMB39.2 million in 2012, primarily due to an increase in advertising and promotional expenses as the OVU Group engaged in more sales, marketing and advertising activities for the increasing number of projects.

Administrative Expenses

Administrative expenses primarily comprised administrative staff costs, office administration expenses, as well as travel, meeting and communication expenses, other indirect taxes, depreciation and amortisation expenses, listing expenses, professional fees and others. For the year ended 31 December 2012 and 2013, administrative expenses of the OVU Group were 6.5% and 7.2% of its total turnover for the same period, respectively.

During the year ended 31 December 2013, administrative expenses of the OVU Group increased by RMB23.6 million, or 19.9%, to RMB141.9 million from RMB118.3 million in 2012, primarily because staff costs, office administration expenses, as well as travel, meeting and communication expenses increased as the OVU Group increased its administrative employee head count due to its expanded operation scale, and listing expenses increased due to the increase in fee payment pursuant to the relevant agreements.

Other Expenses

The OVU Group's other expenses increased by RMB429,000, or 89.0%, from RMB482,000 for the year ended 31 December 2012 to RMB911,000 for the year ended 31 December 2013, primarily due to an increase in net loss on disposal of property, plant and equipment, and an increase in others, as a result of the OVU Group's expanded operation scale, as well as compensation paid by Wuhan Lido Property Management to an employee in the third quarter of 2013.

Increase in Fair Value of Investment Properties

Fair value gains on the OVU Group's investment properties decreased by RMB1.7 million, or 20.7%, from RMB8.2 million for the year ended 31 December 2012 to RMB6.5 million for the year ended 31 December 2013, primarily due to a decrease in investment properties as the OVU Group sold certain shopping units in the Romantic Town to a third-party customer who was willing to pay higher prices for such investment properties.

For the year ended 31 December 2012 and 2013, the fair value gains on investment properties contributed to 2.9% and 1.9% of the OVU Group's profit for the year, respectively. Fair value gains were recorded in both periods primarily due to the increasing property prices of the OVU Group's investment properties as overall rental prices in local markets generally increased.

Finance Income

During the year ended 31 December 2013, finance income of the OVU Group decreased by RMB4.1 million, or 21.1%, to RMB15.3 million from RMB19.4 million in 2012, primarily due to a decrease of RMB5.0 million, or 32.3%, in its interest income on loan from RMB15.5 million in 2012 to RMB10.5 million in 2013, which were mainly attributable to the loan to Hubei Science & Technology Investment for land acquisition was recalled in 2013. The decrease in interest income from 2012 to 2013 was, partially offset by an increase of RMB1.2 million, or 33.3%, in the net realised and unrealised gains on other investments from RMB3.6 million for the year ended 31 December 2012 to RMB4.8 million for the year ended 31 December 2013, mainly attributable to the disposal of trading securities and other financial investment products.

Finance Costs

During the year ended 31 December 2013, finance costs of the OVU Group increased by RMB11.0 million, or 687.5%, to RMB12.6 million from RMB1.6 million in 2012, primarily due to a decrease in interest expense that could be capitalised from RMB130.1 million in 2012 to RMB120.5 million in 2013 as the interest expenses in relation to the Optics Valley Software Park (Phase VI) project could not be capitalised in 2013. In addition, an increase in net realised and unrealised losses on other investments mainly attributable to losses on disposal of trading securities.

Share of Losses of Associates

Share of losses of associates increased by RMB53,000, or 13.7%, from RMB386,000 for the year ended 31 December 2012 to RMB439,000 for the year ended 31 December 2013, primarily due to the OVU Group's proportional share of losses in Wuhan Integrated Circuit Design Technology.

Share of Profits/(Losses) of Joint Ventures

The OVU Group had share of losses of joint ventures of RMB4.7 million for the year ended 31 December 2012, mainly attributable to the OVU Group's share of losses in proportion to its 50% equity interest in Wuhan Mason. Wuhan Mason generated losses primarily due to selling and distribution expenses and administrative expenses incurred in connection with sale of properties in the Lido Mason (Phase I) and most of such expenses were incurred in 2012. The OVU Group had share of profits of joint ventures of RMB41.1 million for the year ended 31 December 2013, which consisted primarily of the OVU Group's share of profits in proportion to its 50% equity interest in Wuhan Mason from sales of properties in the Lido Mason (Phase I) for the period.

Income Tax

During the year ended 31 December 2013, income tax expenses of the OVU Group increased by RMB85.8 million, or 50.7%, to RMB255.2 million from RMB169.4 million in 2012, which was primarily due to (i) an increase in PRC land appreciation tax of RMB51.7 million as pre-tax profit of the OVU Group increased in line with the growth in its profit from property development, (ii) an increase in PRC corporate income tax of RMB26.7 million, and (iii) a decrease in deferred taxation of RMB7.4 million. Effective tax rates of the OVU Group, were 37.9% and 43.0% for the year ended 31 December 2012 and 2013, respectively.

Profit for the Year

As a result of the foregoing, during the year ended 31 December 2013, the profit attributable to equity shareholders of OVU increased from RMB211.3 million in 2012 by RMB109.6 million or 51.9% to RMB320.9 million, the basic earnings per share increased significantly from RMB8.4 cents in 2012 by 38.1% to RMB11.6 cents in 2013.

Financial Position

Property under Development

The carrying amount of properties under development increased by RMB1,216.4 million, or 70.3%, from RMB1,729.9 million as at 31 December 2012, to RMB2,946.3 million as at 31 December 2013, primarily due to the development of the Optics Valley Financial Harbour (Phase II), the Creative Capital (Phase I), the Qingdao Optics Valley Software Park (Phase I), the Ezhou OVU Science and Technology City (Phase I) and the Huangshi OVU Science and Technology City (Phase I).

Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the OVU Group increased by RMB51.4 million, or 5.5%, from RMB941.2 million as at 31 December 2012 to RMB992.6 million as at 31 December 2013, primarily due to an increase in completed properties held for sale in respect of the Optics Valley Software Park (Phase V), the Optics Valley Financial Harbour (Phase II), the Wuhan Innocenter (Phase I) and the Qingdao Optics Valley Software Park (Phase I).

Trade and Other Receivables

The OVU Group's trade and other receivables decreased by RMB203.5 million, or 18.5%, from RMB1,101.5 million as at 31 December 2012 to RMB898.0 million as at 31 December 2013, primarily due to a decrease in prepayments for land acquisition prices and other construction related costs, as well as a decrease in prepaid business tax and other tax on customised development projects, as the OVU Group transferred the relevant prepayments into inventories in accordance with project development schedules.

Trade and Other Payables

The OVU Group's trade and other payables decreased by RMB274.9 million, or 9.8%, from RMB2,805.3 million as at 31 December 2012 to RMB2,530.4 million as at 31 December 2013, primarily due to (i) a decrease in receipts in advance as the OVU Group recognised turnover from sale of customised properties in Optics Valley Financial Harbour (Phase II), Wuhan Innocenter (Phase I) and the Optics Valley Software Park (Phase V) for the year ended 31 December 2013, and (ii) a decrease in amounts due to non-controlling equity holders as the OVU Group repaid part of the outstanding balance under entrusted loan arrangements with Hubei Science & Technology Investment, partially offset by an increase in amounts due to third parties which are primarily installment payments to third party contractors as the OVU Group developed and completed an increasing number of projects.

Liquidity and Capital Resources

The OVU Group uses cash primarily to pay for construction costs, land costs, infrastructure costs and finance costs incurred in connection with its property developments, service its indebtedness, and fund its working capital and normal recurring expenses. The OVU Group primarily finances its expenditures through internally generated cash flows, being primarily cash generated through pre-sale and sale of its properties (including progress payments from customers of the customised development projects and sales deposits from customers of pre-sold properties), and proceeds from bank loans and other borrowings.

In 2013, the OVU Group's net cash outflow from operating activities was RMB819.1 million, mainly in relation to funds used for the development and sale of the Creative Capital, the Lido 2046, the Wuhan Innocenter, the Optics Valley Financial Harbour (Phase II), the Optics Valley Software Park (Phase V) and the Qingdao Optics Valley Software Park.

In 2013, the OVU Group's net cash generated from financing activities was RMB1,091.3 million, which was primarily due to proceeds from loans and borrowings, proceeds from the issue of corporate bonds and short term financing bills and loans from Hubei Science & Technology Investment. Cash outflow in financing activities in 2013 was mainly related to repayment of bank and other loans, interest and other borrowing costs paid, dividend paid, acquisition of non-controlling equity interests in Wuhan Optics Valley Software and Wuhan Optics Valley Union Group Co., Ltd（武漢光谷聯合集團有限公司)("Wuhan Optics Valley Union") and repayment of loans from Hubei Science & Technology Investment.

Key Financial Ratios

Current Ratio

Current ratio of the OVU Group, representing total current assets divided by total current liabilities, increased from 1.47 as at 31 December 2012 to 1.73 as at 31 December 2013, mainly attributable to an increase in its current assets primarily as a result of increases in properties under development and completed properties held for sale as it developed an increasing number of projects while the terms of majority of loans and other borrowings for its property development projects were more than one year and current liabilities of the OVU Group increased at a slower rate compared to current assets.

Net Gearing Ratio

Net gearing ratio of the OVU Group, representing the ratio of interest bearing debts deducting cash in hand over total equity and multiplied by 100%, increased from 18.8% as at 31 December 2012 to 91.1% as at 31 December 2013, primarily because the OVU Group increased bank loans and other borrowings for an increasing number of development projects from 2012 to 2013.

Indebtedness

The OVU Group's total outstanding bank loans and other borrowings increased by RMB1,365.6 million, or 103.9%, from RMB1,313.9 million as at 31 December 2012 to RMB2,679.5 million as at 31 December 2013.

Wuhan Optics Valley Union issued the long-term corporate bond of RMB600 million to PRC institutional investors on 23 October 2013 for the purposes of replacing short-term loans with the long-term corporate bond and for the development of the Optics Valley Financial Harbour (Phase II). In addition, Wuhan Optics Valley Union intends to issue the short-term corporate bond in an aggregate amount of RMB400 million to PRC institutional investors to fund the OVU Group's general working capital. On 14 November 2013, Wuhan Optics Valley Union issued the first batch of the short-term corporate bonds of RMB70 million to a PRC bank.

As at 31 December 2013, unutilised banking facilities amounted to RMB1,985.7 million and unutilised other borrowings amounted to RMB1,887.2 million. As at 31 December 2013, a secured syndicated bank loan with the value of RMB330.0 million was guaranteed by Mr. Huang Liping and his spouse. As at 31 December 2013, total loans and borrowings at fixed interest rates amounted to RMB638.0 million.

Contingent Liabilities

The OVU Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of its pre-sold properties. As at 31 December 2012 and 2013, the outstanding guarantees for mortgage loans by the customers of its pre-sold properties were RMB453.4 million and RMB272.0 million, respectively.

Capital Expenditure and Capital Commitment

Capital expenditure of the OVU Group increased by RMB76.1 million, or 73.4%, from RMB103.7 million in 2012 to RMB179.8 million in 2013. Capital expenditures of the OVU Group were primarily related to expenditure for its construction in progress development, purchases of property, plant and equipment in relation to property development, and purchases of intangible assets.

As at 31 December 2012 and 2013, the OVU Group's outstanding balances of its commitments related to property development expenditures were RMB2,452.3 million and RMB2,244.4 million, respectively.

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

Employees

As at 31 December 2013, the OVU Group had 3,695 full-time employees. The employment cost of the OVU Group was RMB170.3 million for the year ended 31 December 2013. It enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. Remuneration of its employees includes basic wages, allowance, bonuses and other employee benefits. The OVU Group has implemented the measures of employee performance and promotion and the system of employee compensation and benefits. The remuneration package of its employees includes salary and bonuses. In general, it determines employee salaries based on each employee's qualifications, position and seniority.

Pursuant to the relevant labour rules and regulations in the PRC, the OVU Group participates in defined contribution pension schemes which are administered and operated by the relevant local government authorities. The OVU Group is required to make contributions to such schemes from 18% to 20% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees. The OVU Group's contributions to the defined contribution pension schemes are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in such contributions.

Pledged Assets

As at 31 December 2013, the OVU Group had pledged certain of its assets with a total book value of RMB822.6 million, for the purpose of securing outstanding bank borrowings and corporate bonds, including investment properties, properties under development for sale, completed properties held for sale, property, plant and equipment, lease prepayment and restricted cash.

As at 16 April 2014, the date of the annual report of OVU for the year ended 31 December 2013, a loan of RMB138 million granted by Shanghai Jingzhao Aoxi Investment Center（上海京兆奥喜投資中心）is secured by 92% equity interest in Hefei Optics Valley Union Development Co., Ltd （合肥光谷聯合發展有限公司）("Hefei OVU Development"), a subsidiary of OVU.

Foreign Exchange Risk

The OVU Group's functional currency is Renminbi and substantially all of its turnover, expenses, cash and deposits are denominated in Renminbi. The OVU 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 OVU Group maintains any foreign currency-denominated assets or liabilities, including raising any foreign currency-denominated debts, fluctuations in Renminbi exchange rates will have an impact on the value of such assets and liabilities, thus affecting its financial condition and results of operations. The OVU Group does not use derivative financial instruments to hedge its foreign currency risk. The OVU Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

FOR THE YEAR ENDED 31 DECEMBER 2014

Results of Operations

Turnover

The OVU Group generated turnover from property development and related businesses (including construction contract and development management services), business operation services and property leasing. During the year ended 31 December 2014, turnover of the OVU Group decreased from RMB1,966.3 million for the year ended 31 December 2013 to RMB1,928.9 million for the year ended 31 December 2014. The major contributor to the OVU Group's turnover in 2014 was sales of properties in its projects.

The OVU Group's turnover by operating segment is as follows:

	Years ended 31 December			
	2014		2013	
	Turnover *(RMB'000)*	% of total	Turnover *(RMB'000)*	% of total
Property development	1,533,820	79.5	1,580,002	80.3
Construction contract	110,686	5.7	184,577	9.4
Development management services	37,765	2.0	27,343	1.4
Business operation services	207,075	10.7	150,882	7.7
Property leasing	39,602	2.1	23,544	1.2
Total	1,928,948	100.0	1,966,348	100.0

Property Development

Turnover of the OVU Group from sale of properties decreased by RMB46.2 million from RMB1,580.0 million for the year ended 31 December 2013 to RMB1,533.8 million for the year ended 31 December 2014, primarily due to a decrease in area sold by the OVU Group, which partially compensated by an increase in the average selling price of properties sold in 2014 as the project of the OVU Group entered into a more mature and advanced stage with well-developed infrastructure and supporting facilities.

Construction Contract

Turnover of the OVU Group from construction contract decreased by RMB73.9 million from RMB184.6 million for the year ended 31 December 2013 to RMB110.7 million for the year ended 31 December 2014, primarily because of the OVU Group strengthened its vertically integrated business model along the value-chain of the business park development industry. Wuhan Lido Technology, instead of external customers, has been the primary supplier of decoration and improvement services to the OVU Group's project companies.

Development Management Services

Turnover of the OVU Group from development management services increased by RMB10.5 million from RMB27.3 million for the year ended 31 December 2013 to RMB37.8 million for the year ended 31 December 2014, primarily due to the saving award of RMB15.0 million received from the landlord as the OVU Group completed the Wuhan Hi-Tech Medical Devices Business Park (Phase I) in 2014 in accordance with the relevant project development schedules.

Business Operation Services

Turnover of the OVU Group from business operation services increased by RMB56.2 million from RMB150.9 million for the year ended 31 December 2013 to RMB207.1 million for the year ended 31 December 2014, primarily because the OVU Group developed and completed an increasing number of business parks, and expanded its scope of services of its business parks which coincided with the increasing number of customers.

Property Leasing

Turnover of the OVU Group from property leasing increased by RMB16.1 million from RMB23.5 million for the year ended 31 December 2013 to RMB39.6 million for the year ended 31 December 2014, primarily due to an increase in the property area held for rental income and occupancy rate during the period.

Cost of Sales

Overview

Cost of sales primarily consisted of (i) cost of properties sold in respect of the OVU Group's property development business (mainly includes land acquisition costs, construction costs, capitalised interest and other costs for fair value adjustment in relation to acquisition of project companies), (ii) cost of construction services (mainly includes construction costs for decoration and improvement services provided by Wuhan Lido Technology), and (iii) other costs relating to other service businesses (including business operation services,

construction contract and development management services). For the year ended 31 December 2013 and 2014, cost of sales of the OVU Group were 63.8% and 64.6% of its turnover, respectively.

During the year ended 31 December 2014, cost of sales of the OVU Group decreased by RMB7.9 million from RMB1,254.2 million for the year ended 31 December 2013 to RMB1,246.3 million.

Cost of Properties Sold

Cost of properties sold consisted primarily of costs incurred directly for the OVU Group's property development activities, including land acquisition costs, construction costs, capitalised interest and other costs for fair value adjustment in relation to acquisition of project companies. For the year ended 31 December 2013 and 2014, cost of properties sold of the OVU Group accounted for 76.2% and 78.6% of its total cost of sales, respectively.

During the year ended 31 December 2014, cost of properties sold of the OVU Group increased by RMB23.6 million from RMB955.9 million for the year ended 31 December 2013 to RMB979.5 million, primarily due to an overall increase in construction costs, land costs and finance costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, during the year ended 31 December 2014, overall gross profit of the OVU Group decreased by RMB29.5 million, from RMB712.2 million in 2013 to RMB682.7 million. Overall gross profit margin decreased from 36.2% in 2013 to 35.4% in 2014, primarily due to the decline in gross profit of property development.

Other Income

During the year ended 31 December 2014, other income of the OVU Group decreased by RMB12.7 million from RMB22.0 million in 2013 to RMB9.3 million, primarily due to the net gain of RMB11.9 million generated from the sale of the former office properties to a third party customer in the fourth quarter of 2013 after the relocation of the OVU Group's headquarters in 2013.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising and promotional expenses, sales and marketing staff cost, travel and communication expenses, office administration expenses, depreciation expenses and others. For the year ended 31 December 2013 and 2014, selling and distribution expenses of the OVU Group were 2.4% and 3.4% of its total turnover, respectively.

During the year ended 31 December 2014, selling and distribution expenses of the OVU Group increased by RMB18.8 million from RMB47.5 million in 2013 to RMB66.3 million, primarily due to an increase in advertising and promotional expenses as the OVU Group engaged in more sales, marketing and advertising activities for the increasing number of projects.

Administrative Expenses

Administrative expenses primarily consisted of administrative staff costs, office administration expenses, as well as travel, meeting and communication expenses, other indirect taxes, depreciation and amortisation expenses, listing expenses, professional fees, and others. For the year ended 31 December 2013 and 2014, administrative expenses of the OVU Group were 7.2% and 7.0% of its total turnover, respectively.

During the year ended 31 December 2014, administrative expenses of the OVU Group decreased by RMB6.9 million from RMB141.9 million in 2013 to RMB135.0 million, primarily due to the recognition of listing expenses of RMB22.0 million by the OVU Group in 2013. Except for the impact of listing expenses, the OVU Group's administrative expenses increased by 12.6% in 2014 as compared to 2013, which was due to the increases in staff costs attributable to the increasing number of administrative staffs to cope with the OVU Group's expanding business scale.

Other Expenses

The OVU Group's other expenses decreased by RMB397,000 from RMB911,000 for the year ended 31 December 2013 to RMB514,000 for the year ended 31 December 2014, primarily due to the OVU Group's enhanced efforts on safety management awareness and safety education and training in 2014, resulting in a decrease in safety compensation expenses.

Increase in Fair Value of Investment Properties

Fair value gains on the OVU Group's investment properties increased by RMB98.9 million from RMB6.5 million for the year ended 31 December 2013 to RMB105.4 million for the year ended 31 December 2014, primarily due to an increase in the area of investment properties of the OVU Group.

For the year ended 31 December 2013 and 2014, the fair value gains on investment properties contributed to 1.9% and 25.1% of the OVU Group's profit for the year, respectively. The contribution of fair value gains in the profit for the year increased mainly attributable to the change in sales strategy of the OVU Group, under which the OVU Group switched from selling a majority of properties developed to putting equal weighting between selling and retaining it for investment purposes.

Finance Income

During the year ended 31 December 2014, finance income of the OVU Group increased by RMB4.8 million from RMB15.3 million in 2013 to RMB20.1 million, primarily due to an increase of interest income.

Finance Costs

During the year ended 31 December 2014, finance costs of the OVU Group increased by RMB0.3 million from RMB12.6 million in 2013 to RMB12.9 million, primarily because the interest expenses incurred in Wuhan Innocenter (phase III) cannot be capitalised in 2014 as it did not meet the capitalisation criteria.

Share of Losses of Associates

The OVU Group's share of losses of associates decreased by RMB54,000 from RMB439,000 for the year ended 31 December 2013 to RMB385,000 for the year ended 31 December 2014, primarily due to the OVU Group's proportional share of losses from Wuhan Integrated Circuit Design Technology, an associate of the OVU Group.

Share of Profits of Joint Ventures

The OVU Group had share of profits of joint ventures of RMB29.8 million for the year ended 31 December 2014, which primarily consisted of the OVU Group's share of profits of Wuhan Mason from sales of properties in Lido Mason (Phase II) for that period in proportion to its 50% equity interest in Wuhan Mason.

Income Tax

During the year ended 31 December 2014, income tax expenses of the OVU Group decreased by RMB43.5 million from RMB255.2 million in 2013 to RMB211.7 million, which was primarily due to (i) a decrease in PRC land appreciation tax of RMB68.3 million; (ii) a decrease in PRC corporate income tax of RMB26.0 million; and (iii) an increase in deferred tax of RMB 50.8 million. Effective tax rates of the OVU Group were 43.0% and 33.5% for the year of 2013 and 2014, respectively.

Profit for the Year

As a result of the foregoing, during the year ended 31 December 2014, the profit attributable to equity shareholders of OVU increased by RMB94.3 million from RMB320.9 million in 2013 to RMB415.2 million, the basic earnings per share decreased from RMB11.6 cents in 2013 to RMB11.0 cents in 2014, attributable to the significant increase in the deemed weighted average number of shares for 2014 after the listing of its shares dated 28 March 2014.

Financial Position

Properties under Development

The carrying amount of properties under development of the OVU Group decreased by RMB400.6 million from RMB2,946.3 million as at 31 December 2013 to RMB2,545.7 million as at 31 December 2014, primarily due to the transfer of the completed projects to completed properties held for sale, including Creative Capital (Phase I), Qingdao OVU International Marine Information Harbour, Ezhou OVU Science and Technology City (Phase I) and Huangshi OVU Science and Technology City (Phase I).

Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the OVU Group increased by RMB1,000.5 million from RMB992.6 million as at 31 December 2013 to RMB1,993.1 million as at 31 December 2014, primarily due to an increase in completed projects during the year.

Trade and Other Receivables

The OVU Group's trade and other receivables increased by RMB317.2 million from RMB898.0 million as at 31 December 2013 to RMB1,215.2 million as at 31 December 2014, primarily due to an increase in trade receivables from sale of properties. In accordance with the terms of the relevant sale and purchase agreements, the model of recovery from sale of properties can be classified into bank mortgage loans, lump sum or installment payments.

Trade and Other Payables

The OVU Group's trade and other payables decreased by RMB565.5 million from RMB2,530.4 million as at 31 December 2013 to RMB1,964.9 million as at 31 December 2014, primarily due to the full repayment of amounts due to related parties and partial repayment of amounts due to non-controlling equity holders by the OVU Group in 2014.

Liquidity and Capital Resources

The OVU Group uses cash primarily to pay for construction costs, land costs, infrastructure costs and finance costs incurred in connection with its property developments, service its indebtedness, and fund its working capital and normal recurring expenses. The OVU Group primarily has cash generated through pre-sale and sale of its properties (including progress payments from customers of the customised development projects and sales deposits from customers of pre-sold properties), and proceeds from bank loans and other borrowings.

In 2014, the OVU Group's net cash outflow from operating activities was RMB828.0 million, which was mainly used for funding the development and sale of projects such as Creative Capital, Lido 2046, Optics Valley Financial Harbour (Phase II), Optics Valley Software Park (Phase V), Qingdao OVU International Marine Information Harbour and Hefei Financial Harbour.

In 2014, the OVU Group's net cash generated from financing activities was RMB467.9 million, which was primarily due to proceeds from loans and borrowings and issue of corporate bonds and non-public fixed financing instruments. Cash inflow from financing activities was also related to proceeds from initial public offering, amounting to RMB600.9 million. Cash outflow from financing activities in 2014 was mainly related to repayment of bank and other loans, interest and other borrowing costs paid and dividend paid.

Key Financial Ratios

Current Ratio

Current ratio of the OVU Group, representing total current assets divided by total current liabilities, increased from 1.73 as at 31 December 2013 to 1.93 as at 31 December 2014, mainly attributable to the higher rate of increase in current assets to its current liabilities. The increase was primarily due to the increases in properties under development and completed properties held for sale as the OVU Group developed an increasing number of projects.

Net Gearing Ratio

Net gearing ratio of the OVU Group, representing the ratio of interest bearing debts deducting total cash over total equity and multiplied by 100%, decreased from 91.1% as at 31 December 2013 to 87.0% as at 31 December 2014, primarily because of the increase in the OVU Group's owners equity upon listing.

Indebtedness

The OVU Group's total outstanding bank loans and other borrowings increased by RMB646.6 million from RMB2,679.5 million as at 31 December 2013 to RMB3,326.1 million as at 31 December 2014.

As at 31 December 2014, unutilised banking facilities amounted to RMB1,441.0 million and unutilised other borrowings amounted to RMB1,800.0 million.

Contingent Liabilities

The OVU Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of the OVU Group's pre-sold properties. As at 31 December 2013 and 2014, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were RMB272.0 million and RMB306.1 million, respectively.

Capital Expenditure and Capital Commitment

Capital expenditure of the OVU Group increased by RMB103.3 million from RMB179.8 million in 2013 to RMB283.1 million in 2014. Capital expenditures of the OVU Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 31 December 2013 and 2014, the OVU Group's outstanding balances of its commitments related to property development expenditure were RMB2,244.4 million and RMB265.9 million, respectively.

The OVU Group estimates that its capital expenditures and capital commitments will further increase as its business and operations continue to expand. The OVU 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 OVU Group may raise additional funds on acceptable terms.

Employees

As at 31 December 2014, the OVU Group had 4,087 full-time employees. The employment cost of the OVU Group was RMB213.2 million for the year ended 31 December 2014. The OVU Group enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. Remuneration of its employees includes basic wages, allowance, bonuses and other employee benefits. The OVU Group has implemented the measures of employee performance and promotion and the system of employee compensation and benefits. The remuneration packages of its employees include salaries and bonuses. In general, the OVU Group determines employee salaries based on each employee's qualifications, position and seniority.

Pursuant to the relevant labour rules and regulations in the PRC, the OVU Group participates in defined contribution pension schemes which are administered and operated by the relevant local government authorities. The OVU Group is required to make contributions to such schemes from 18% to 20% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees. The OVU Group's contributions to the defined contribution pension schemes are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in such contributions.

Pledged Assets

As at 31 December 2014, the OVU Group had pledged certain of its assets with a total net book value of RMB2,296.3 million, for the purpose of securing outstanding bank borrowings and corporate bonds, including investment properties, properties under development for sale, completed properties held for sale and property, plant and equipment.

As at 31 December 2014, a loan of RMB295.2 million granted by Shanghai Jingzhao Aoxi Investment Center (上海京兆奥喜投資中心) is secured by 80% equity interest in Hefei OVU Development.

Foreign Exchange Risk

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

FOR THE SIX MONTHS ENDED 30 JUNE 2015

Results of Operations

Turnover

The OVU Group generated turnover from sales of properties in business parks, business operation services, construction contracts, property leasing and development management services. During the six months ended 30 June 2015, turnover of the OVU Group amounted to RMB428.0 million, which was mainly attributable to the sales of properties in the OVU Group's projects.

The OVU Group's turnover by operating segments is as follows:

	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Turnover *RMB'000*	% of total turnover	Turnover *RMB'000*	% of total turnover
Property development	270,942	63.3	395,273	71.4
Construction contract	29,167	6.8	31,753	5.7
Development management services	3,868	0.9	26,156	4.7
Property leasing	15,883	3.7	16,883	3.1
Business operation services	108,114	25.3	83,557	15.1
Total	427,974	100.0	553,622	100.0

Property Development

During the six months ended 30 June 2015, turnover of the OVU Group from sales of properties in business parks amounted to RMB270.9 million, representing a considerable decrease over the same period in 2014, which was mainly due to the decrease in recognised area of properties as a result of the difference of the progress of delivery and settlement in the first and second half of the year. The properties of the OVU Group will mainly be delivered in the second half of this year.

Construction Contract

Turnover of the OVU Group from construction contract amounted to RMB29.2 million, primarily due to the increasing amount of decoration and improvement services provided by Wuhan Lido Technology to the project companies under the OVU Group rather than external customers, as the OVU Group strengthened its vertically integrated business model and therefore provided less services to external customers correspondingly.

Business Operation Services

Turnover of the OVU Group from business operation services amounted to RMB108.1 million, primarily because the OVU Group has developed and completed an increasing number of business parks, expanded the scope of services of its business parks which attracted more customers. The OVU Group will enhance the contribution of business operation services to the revenues progressively.

Development Management Services

Turnover of the OVU Group from development management services amounted to RMB3.9 million. The OVU Group provides full services along the value chain including project planning and development management primarily to large-scale business parks owned by local governments and leading enterprises.

Property Leasing

Turnover of the OVU Group from property leasing amounted to RMB15.9 million. The OVU Group will increase properties held for lease steadily to contribute more to its revenue and profit.

Cost of Sales

Overview

Cost of sales comprised primarily (i) cost of properties sold in respect of the OVU Group's property development business (mainly including land acquisition costs, construction costs, capitalised interest and other costs for fair value adjustment in relation to acquisition of project companies); (ii) cost of construction services (mainly including construction costs for decoration and improvement services provided by Wuhan Lido Technology); and (iii) other costs relating to other service businesses (including business operation services, construction contracts and development management services). During the six months ended 30 June 2015, cost of sales of the OVU Group were 57.9% of its turnover.

During the six months ended 30 June 2015, cost of sales of the OVU Group amounted to RMB248.0 million, representing a decrease of RMB93.9 million or 27.5% over the same period in 2014, primarily due to a decrease in area of delivered properties during the period.

Cost of Properties Sold

Cost of properties sold consisted primarily of costs incurred directly for the property development activities, including land acquisition costs, construction costs, capitalised interest and other costs for fair value adjustment in relation to acquisition of project companies. During the six months ended 30 June 2015, cost of properties sold of the OVU Group accounted for 51.9% of its total cost of sales.

During the six months ended 30 June 2015, cost of properties sold of the OVU Group decreased by RMB112.6 million over the same period in 2014, primarily due to a decrease in the area of properties sold during the period.

Gross Profit and Gross Profit Margin

During the six months ended 30 June 2015, overall gross profit of the OVU Group decreased by RMB31.7 million, or 15.0%, to RMB180.0 million from RMB211.7 million in the same period in 2014. Overall gross profit margin increased to 42.1% in the first half of 2015 from 38.2% in the same period in 2014.

Other Income

During the six months ended 30 June 2015, other income of the OVU Group increased by RMB0.7 million, to RMB1.8 million from RMB1.1 million in the same period in 2014.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprised advertising and promotional expenses, sales and marketing staff costs, travel and communication expenses, office administration expenses, depreciation expenses and others. During the six months ended 30 June 2015, selling and distribution expenses of the OVU Group accounted for 7.2% of its total turnover.

During the six months ended 30 June 2015, selling and distribution expenses of the OVU Group increased by RMB1.8 million to RMB30.7 million from RMB28.9 million in the same period in 2014, primarily due to an increase in advertising and promotional expenses as the OVU Group engaged in more sales, marketing and advertising activities for the increasing number of projects.

Administrative Expenses

Administrative expenses primarily comprised administrative staff costs, office administration expenses, as well as travel, meeting and communication expenses, other indirect taxes, depreciation and amortisation expenses, listing expenses, professional fees and others. During the six months ended 30 June 2015, administrative expenses of the OVU Group were 19.5% of the total turnover.

During the six months ended 30 June 2015, administrative expenses of the OVU Group increased by RMB19.1 million to RMB83.4 million from RMB64.3 million in the same period in 2014, which was primarily because staff costs, office administration expenses, as well as travel, meeting and communication expenses increased as a result of the OVU Group's expanded scale of operation and the increased number of its administrative staff.

Increase in Fair Value of Investment Properties

During the six months ended 30 June 2015, fair value gains on the OVU Group's investment properties increased by RMB51.4 million to RMB128.0 million from RMB76.6 million in the same period in 2014, which was primarily because of the increase in area of properties held by the OVU Group for leasing. The OVU Group had adjusted its business strategies and decided to increase the ratio of properties held for leasing in order to generate steady investment returns. During the six months ended 30 June 2015, there was an increase of 8,000 sq.m. of the investment properties, primarily including certain properties at Wuhan Optics Valley Software Park Exhibition Center, the podium building of Optics Valley Software Park (Phase V) and shops in Wuhan Creative Capital (Phase I).

Finance Income

During the six months ended 30 June 2015, finance income of the OVU Group increased by RMB11.9 million to RMB18.3 million from RMB6.4 million in the same period in 2014, primarily because of the interest income on entrusted loans.

Finance Costs

During the six months ended 30 June 2015, finance costs of the OVU Group decreased by RMB10.0 million, or 89.3%, to RMB1.2 million from RMB11.2 million in the same period in 2014, primarily because the interest expenses in relation to Wuhan Optics Valley Software Park (Phase VI) project could not be capitalised in the first half of 2014.

Share of Losses of Associates

Share of losses of associates of the OVU Group was RMB1,000, primarily due to the OVU Group's proportional share of losses in Wuhan Integrated Circuit Design Technology.

Share of (Losses)/Profit of Joint Ventures

During the six months ended 30 June 2015, the OVU Group had share of losses of RMB6.8 million in joint ventures, mainly attributable to the OVU Group's proportional share of losses in Wuhan Mason according to the OVU Group's 50% equity interest in Wuhan Mason.

Income Tax

During the six months ended 30 June 2015, income tax expenses of the OVU Group increased by RMB18.2 million to RMB78.4 million from RMB60.2 million in the same period in 2014, which was primarily due to (i) a decrease of RMB19.8 million in the PRC corporate income tax as pre-tax profit decreased in line with the drop in profit from property development; (ii) land appreciation tax increased by RMB14.6 million on settlement basis as compared with the corresponding period in 2014; and (iii) deferred income tax increased by RMB23.3 million as compared with the corresponding period in 2014 due to the recognised gains on investment properties.

Profit for the Period

During the six months ended 30 June 2015, the profit attributable to equity shareholders of OVU decreased from RMB130.7 million in the same period in 2014 by RMB12.8 million to RMB117.9 million, and the basic earnings per share decreased by 18.9% from RMB3.7 cents in the first half of 2014 to RMB3.0 cents in the same period in 2015.

Financial Position

Properties under Development

The carrying amount of properties under development of the OVU Group increased by RMB556.0 million, or 21.8%, from RMB2,545.7 million as at 31 December 2014, to RMB3,101.7 million as at 30 June 2015, primarily due to the development of various projects including Wuhan Creative Capital, Qingdao OVU International Marine Information Harbour (Phase 1.6), Hefei Financial Harbour, Ezhou OVU Science and Technology City (Phase I), Shenyang OVU Science and Technology City and Huangshi OVU Science and Technology City (Phase I).

Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the OVU Group decreased by RMB4.4 million from RMB1,993.1 million as at 31 December 2014 to RMB1,988.7 million as at 30 June 2015, primarily because the OVU Group accelerated sale of properties to reduce the inventories in the first half of 2015.

Trade and Other Receivables

The OVU Group's trade and other receivables decreased by RMB82.7 million from RMB1,215.2 million as at 31 December 2014 to RMB1,132.5 million as at 30 June 2015, primarily due to the decrease in receivables from sale of properties.

Trade and Other Payables

The OVU Group's trade and other payables increased by RMB179.4 million from RMB1,964.9 million as at 31 December 2014 to RMB2,144.3 million as at 30 June 2015, primarily due to the increase in prepayment from customers for properties sold.

Liquidity and Capital Resources

The OVU Group uses cash primarily to pay for construction costs, land costs, infrastructure costs and finance costs incurred in connection with its property developments, service its indebtedness, and fund its working capital and normal recurring expenses. The OVU Group primarily finances its expenditures through internally generated cash flows, being primarily through pre-sale and sale of its properties (including progress payments from customers of the customised development projects and sales deposits from customers of pre-sold properties), and proceeds from bank loans and other borrowings.

During the six months ended 30 June 2015, the OVU Group's net cash outflow from operating activities was RMB72.6 million, which significantly improved as compared with the corresponding period in 2014. The cash was mainly used for the development and sale of Wuhan Creative Capital, Wuhan Lido 2046, Heifei Financial Harbour, Qingdao OVU International Marine Information Harbour, Ezhou OVU Science and Technology City, Huangshi OVU Science and Technology City and Shenyang OVU Science and Technology City.

The OVU Group's net cash outflow of financing activities was RMB261.4 million. Cash inflow from financing activities was mainly derived from proceeds from loans and borrowings. During the six months ended 30 June 2015, cash outflow in financing activities was mainly related to repayment of bank and other loans, interest and other borrowing costs paid and dividend paid.

Key Financial Ratios

Current Ratio

As at 30 June 2015, current ratio of the OVU Group, representing total current assets divided by total current liabilities, was 1.9, basically unchanged from the end of last year. As at 30 June 2015, the OVU Group still had RMB2.23 billion unused credit facilities, and the OVU Group intends to raise long-term loans to repay the short-term loans in the second half of the year, which would continue to improve the OVU Group's current ratio.

Net Gearing Ratio

Net gearing ratio of the OVU Group, representing the ratio of interest bearing debts deducting cash in hand over total equity and multiplied by 100%, increased from 87.0% as at 31 December 2014 to 101.3% as at 30 June 2015, primarily because (i) the increase in the OVU Group's total borrowings during the six months ended 30 June 2015; and (ii) the smaller increase in equity for the first half of the year as most revenue is to be recognised in the second half of the year.

Indebtedness

The OVU Group's total outstanding bank loans and other borrowings increased by RMB256.2 million from RMB3,326.1 million as at 31 December 2014 to RMB3,582.3 million as at 30 June 2015, which was primarily due to the increase in the development projects of the OVU Group.

During the six months ended 30 June 2015, Wuhan Optics Valley Union, a wholly owned subsidiary of the OVU Group in China, had issued the first tranche of non-public targeted debt financing instruments amounting to RMB200.0 million. The proceeds of the issued bonds were used for bank loans' repayment. As at 30 June 2015, unutilised banking facilities amounted to RMB620.5 million and other credit unutilised facilities amounted to RMB1,608.0 million.

Contingent Liabilities

The OVU Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of its pre-sold properties. As at 30 June 2015, the outstanding guarantees for mortgage loans by the customers of its pre-sold properties were RMB448.2 million.

Capital Expenditure and Capital Commitment

During the six months ended 30 June 2015, capital expenditure of the OVU Group incurred amounted to RMB286.9 million, which was primarily related to expenditure for its construction in progress, purchases of property, plant and equipment in relation to property development and purchases of intangible assets.

As at 30 June 2015, the OVU Group's outstanding balances of its commitments related to property development expenditure were RMB629.4 million.

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

Employees

As at 30 June 2015, the OVU Group had 4,018 full-time employees. The staff cost of the OVU Group was RMB117.8 million during the six months ended 30 June 2015. The OVU Group enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. Remuneration of its employees includes basic wages, allowance, bonuses and other employee benefits. The OVU Group has implemented the measures of employee performance and promotion and the system of employee compensation and benefits. The remuneration package of its employees includes salary and bonuses. In general, the OVU Group determines employee salaries based on each employee's qualifications, position and seniority.

Pursuant to the relevant labour rules and regulations in the PRC, the OVU Group participates in defined contribution pension schemes which are administered and operated by the relevant local government authorities. The OVU Group is required to make contributions to such schemes from 18% to 20% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees. The OVU Group's contributions to the defined contribution pension schemes are not reduced by contributions forfeited by those employees who leave the scheme prior to full vesting in such contributions.

Pledged Assets

As at 30 June 2015, the OVU Group had pledged certain of its assets with a total net book value of RMB2,815.8 million for the purpose of securing outstanding bank borrowings and corporate bonds, including investment properties, properties under development for sale, completed properties held for sale, property, plant and equipment, lease prepayment and restricted cash.

As at 30 June 2015, a loan of RMB295.2 million granted by Shanghai Jingzhao Aoxi Investment Center (上海京兆奥喜投資中心) is secured by 80% equity interest in Hefei OVU Development.

Foreign Exchange Risk

The OVU Group's functional currency is Renminbi and substantially all of its turnover, expenses, cash and deposits are denominated in Renminbi. The OVU Group's exposures to currency exchange rates risk 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 OVU Group maintains any foreign currency denominated assets or liabilities, including raising any foreign currency-denominated debts, fluctuations in Renminbi exchange rates will have an impact on the value of such assets and liabilities, thus affecting its financial condition and results of operations. The OVU Group does not use derivative financial instruments to hedge its foreign currency risk. The OVU Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

Outlook

The OVU Group currently has sufficient land bank. Emphasis of further product investment will be put on the product lines targeting new-type of urbanisation and those delivering higher profit margin with a higher level of differentiation, so as to concentrate resources to accelerate development. In respect of its investment, the OVU Group will continue to deepen its penetration in existing cities while exploring investment opportunities in the "One Belt, One Road" surrounding coastal cities and second-tier cities. Meanwhile, the OVU Group will enter the segment markets of the first-tier cities through asset-light strategies such as strategic cooperation, full value-chain services and management consulting.

The OVU Group will insist on adopting conservative financial policies with the focus on cash flow management. The total size of borrowings will be reasonably controlled while reasonable debt structures will be maintained. Besides, the net debt ratio will be maintained at a normal and reasonable level. These will ensure the healthy development and safe operation of the OVU Group.

Notwithstanding various uncertainties in the global economy and a gradual stabilization of China's economy, the OVU Group believes that under the goal of stabilising growth, the Chinese central government will continue to increase its efforts in stabilising the economy and adopt more stimulus measures to further support new businesses and innovative and venture enterprises. The introduction and implementation of the "One Belt, One Road" strategy of the central government and the Development Plan for the City Cluster in the Middle Reaches of the Yangtze River will bring significant development opportunities for the OVU Group in future. The OVU Group will fully utilise this favourable situation and adopt effective development strategies to accelerate the implementation of transformation and upgrading strategies, continuously enhance its own competitiveness and the competitive edges of its business model, make constant innovations in service models, so as to continuously create value for the shareholders of OVU.

Introduction

Pursuant to the Equity Interest Transfer Agreement, the Company has agreed to sell 100% equity interest in CEC Technology to OVU and HK 3A, an indirect wholly-owned subsidiary of OVU, for a consideration of 1,058,530,083 new OVU Shares. Pursuant to the CECH Subscription Agreement, the Company has agreed to subscribe in cash, for 1,491,469,917 new OVU Shares, credited as fully paid, at a price of HK$0.8 per OVU Share. On 14 December 2015, OVU entered into a placing agreement with China Everbright Securities (HK) Limited ("China Everbright"), pursuant to which China Everbright has conditionally agreed to place, on a fully underwritten basis, 1,450,000,000 new OVU Shares (failing which China Everbright would subscribe for the untaken Placing Shares), credited as fully paid, to not less than six investors at the price of HK$0.8 per Placing Share. Upon the Completion, the Company will be interested in 2,550,000,000 OVU Shares, representing approximately 31.9% of the then issued share capital of OVU as enlarged by the allotment and issue of the Consideration Shares, the CECH Subscription Shares and the Placing Shares and OVU will become an associate of the Company.

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information of the Enlarged Group") comprising the unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2015, the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2014 and the unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2014, which have been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the transactions contemplated under the Equity Interest Transfer Agreement, the CECH Subscription Agreement and the Placing (the "Transactions") as if the Transactions had taken place on 30 June 2015 for the unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2015, and as if the Transactions had taken place on 1 January 2014 for the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2014 and the unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2014.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared using the accounting policies consistent with that of the Group and based on unaudited consolidated balance sheet of the Group as at 30 June 2015 as extracted from the published interim report of the Company for the six months ended 30 June 2015, the audited consolidated income statement and consolidated statement of comprehensive income of the Group for the year ended 31 December 2014 and the audited consolidated cash flow statement of the Group for the year ended 31 December 2014, which have been extracted from the published annual report of the Company for the year ended 31 December 2014, after making pro forma adjustments as summarised in the accompanying notes that are directly attributable to the Transactions, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Directors for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not give a true picture of the financial position, financial performance or cash flows of the Group following the completion of the Transactions. Further, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Group's future financial position, financial performance or cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I and other financial information contained elsewhere in this circular.

I Unaudited pro forma consolidated balance sheet of the Enlarged Group

	Unaudited consolidated balance sheet of the Group as at 30 June 2015	Pro forma adjustments							Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2015
		Disposal of CEC Technology Group		Other pro forma adjustments					
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 10*	*Notes 4,5*	*Note 6*	*Note 7*	*Note 8*	*Note 11*	
ASSETS									
Non-current assets									
Property, plant and equipment	437,812	(14,877)	(18,865)	–	–	–	–	–	418,947
Investment properties	411,675	(324,651)	(411,675)	–	–	–	–	–	–
Land use rights held for self-use	14,984	(547)	(694)	–	–	–	–	–	14,290
Intangible assets	8,835	–	–	–	–	–	–	–	8,835
Investments in associates	68,273	(53,841)	(68,273)	2,397,000	471,638	–	–	–	2,868,638
Investment in a joint venture	21,012	(16,571)	(21,012)	–	–	–	–	–	–
Other receivables	507,222	(400,000)	(507,222)	–	–	11,564	–	–	11,564
Deferred tax assets	54,310	(24,595)	(31,188)	–	–	–	–	–	23,122
Available-for-sale financial assets	2,536	–	–	–	–	–	–	–	2,536
	1,526,659	**(835,082)**	**(1,058,929)**	**2,397,000**	**471,638**	**11,564**	**–**	**–**	**3,347,932**
Current assets									
Inventories	638,113	(282,047)	(357,651)	–	–	–	–	–	280,462
Trade and other receivables	892,001	(97,452)	(123,574)	–	–	80	–	431,138	1,199,645
Taxation recoverable	12,299	–	–	–	–	–	–	–	12,299
Available-for-sale financial assets	200,987	(60,000)	(76,083)	–	–	–	–	–	124,904
Short-term deposits and investments	2,933,924	–	–	(1,193,176)	–	–	–	(431,138)	1,309,610
Cash and cash equivalents	617,393	(90,352)	(114,571)	–	–	–	–	–	502,822
	5,294,717	**(529,851)**	**(671,879)**	**(1,193,176)**	**–**	**80**	**–**	**–**	**3,429,742**
Total assets	**6,821,376**	**(1,364,933)**	**(1,730,808)**	**1,203,824**	**471,638**	**11,644**	**–**	**–**	**6,777,674**
EQUITY AND LIABILITIES									
Equity attributable to owners of the Company									
Share capital and premium	825,454	(100,000)	(126,805)	126,805	–	–	–	–	825,454
Reserves	(641,444)	(17,962)	(22,777)	22,777	–	–	–	–	(641,444)
Retained earnings	989,967	(40,463)	(51,308)	1,054,242	471,638	–	(5,706)	–	2,458,833
	1,173,977	**(158,425)**	**(200,890)**	**1,203,824**	**471,638**	**–**	**(5,706)**	**–**	**2,642,843**
Non-controlling interests	23,815	(18,781)	(23,815)	–	–	–	–	–	–
Total equity	**1,197,792**	**(177,206)**	**(224,705)**	**1,203,824**	**471,638**	**–**	**(5,706)**	**–**	**2,642,843**
Liabilities									
Non-current liabilities									
Unsecured corporate bonds	3,449,493	–	–	–	–	–	–	–	3,449,493
Deferred tax liabilities	16,673	(4,536)	(5,752)	–	–	–	–	–	10,921
	3,466,166	**(4,536)**	**(5,752)**	**–**	**–**	**–**	**–**	**–**	**3,460,414**
Current liabilities									
Deferred government grants	100,154	–	–	–	–	–	–	–	100,154
Advances from customers	26,041	(29,472)	(37,372)	–	–	11,564	–	–	233
Trade and other payables	688,121	(105,631)	(133,946)	–	–	80	5,706	–	559,961
Bank and other borrowings	1,255,548	(990,038)	(1,255,422)	–	–	–	–	–	126
Income tax payable	87,554	(58,050)	(73,611)	–	–	–	–	–	13,943
	2,157,418	**(1,183,191)**	**(1,500,351)**	**–**	**–**	**11,644**	**5,706**	**–**	**674,417**
Total liabilities	**5,623,584**	**(1,187,727)**	**(1,506,103)**	**–**	**–**	**11,644**	**5,706**	**–**	**4,134,831**
Total equity and liabilities	**6,821,376**	**(1,364,933)**	**(1,730,808)**	**1,203,824**	**471,638**	**11,644**	**–**	**–**	**6,777,674**

II Unaudited pro forma consolidated income statement of the Enlarged Group

	Audited consolidated income statement of the Group for the year ended 31 December 2014	Pro forma adjustments								Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2014
		Disposal of CEC Technology Group		Other pro forma adjustments						
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3*	*Note 10*	*Notes 4,5*	*Note 6*	*Note 7*	*Note 9*	*Note 8*	*Note 11*	
Revenue	1,357,062	(5,640)	(7,118)	–	–	–	–	–	–	1,349,944
Cost of sales	(773,767)	1,799	2,270	–	–	–	–	–	–	(771,497)
Gross profit	**583,295**	**(3,841)**	**(4,848)**	**–**	**–**	**–**	**–**	**–**	**–**	**578,447**
Other income and gains – net	165,274	(34,089)	(43,023)	1,002,934	471,638	830	–	–	106,517	1,704,170
Selling and marketing costs	(106,078)	6,294	7,943	–	–	–	–	–	–	(98,135)
Administrative expenses	(293,997)	39,870	50,319	–	–	(830)	–	(5,706)	–	(250,214)
Operating profit	**348,494**	**8,234**	**10,391**	**1,002,934**	**471,638**	**–**	**–**	**(5,706)**	**106,517**	**1,934,268**
Finance income	55,505	(1,123)	(1,417)	–	–	–	–	–	–	54,088
Finance costs	(205,723)	19,230	24,270	–	–	–	–	–	–	(181,453)
Finance costs – net	(150,218)	18,107	22,853	–	–	–	–	–	–	(127,365)
Share of result of associates	18,840	(14,928)	(18,840)	–	–	–	162,021	–	–	162,021
Share of result of a joint venture	(942)	746	942	–	–	–	–	–	–	–
Profit before taxation	**216,174**	**12,159**	**15,346**	**1,002,934**	**471,638**	**–**	**162,021**	**(5,706)**	**106,517**	**1,968,924**
Taxation	(49,135)	3,025	3,818	–	–	–	–	–	–	(45,317)
Profit for the year	**167,039**	**15,184**	**19,164**	**1,002,934**	**471,638**	**–**	**162,021**	**(5,706)**	**106,517**	**1,923,607**
Profit for the year attributable to:										
Owners of the Company	170,108	12,753	16,095	1,002,934	471,638	–	162,021	(5,706)	106,517	1,923,607
Non-controlling interests	(3,069)	2,431	3,069	–	–	–	–	–	–	–
	167,039	15,184	19,164	1,002,934	471,638	–	162,021	(5,706)	106,517	1,923,607

III Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2014	Pro forma adjustments							Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2014
		Disposal of CEC Technology Group		Other pro forma adjustments					
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3*	*Note 10*	*Notes 4,5*	*Note 6*	*Note 9*	*Note 8*	*Note 11*	
Profit for the year	**167,039**	**15,184**	**19,164**	**1,002,934**	**471,638**	**162,021**	**(5,706)**	**106,517**	**1,923,607**
Other comprehensive income for the year:									
Items that may be reclassified to profit or loss:									
Exchange differences on translation of foreign operations	(6,656)	–	–	–	–	–	–	–	(6,656)
Total comprehensive income for the year	**160,383**	**15,184**	**19,164**	**1,002,934**	**471,638**	**162,021**	**(5,706)**	**106,517**	**1,916,951**
Total comprehensive income for the year attributable to:									
Owners of the Company	163,452	12,753	16,095	1,002,934	471,638	162,021	(5,706)	106,517	1,916,951
Non-controlling interests	(3,069)	2,431	3,069	–	–	–	–	–	–
	160,383	15,184	19,164	1,002,934	471,638	162,021	(5,706)	106,517	1,916,951

IV Unaudited pro forma consolidated cash flow statement of the Enlarged Group

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2014	Pro forma adjustments					Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2014
		Disposal of CEC Technology Group		Other pro forma adjustments			
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3*	*Note 10*	*Note 4*	*Note 8*	*Note 11*	
Cash flows from operating activities							
Cash (used in)/generated from operations	(21,800)	148,610	187,556	–	(5,706)	–	160,050
Interest paid	(130,765)	20,755	26,194	–	–	–	(104,571)
Income tax paid	(40,789)	15,390	19,423	–	–	–	(21,366)
Net cash (used in)/generated from operating activities	(193,354)	184,755	233,173	–	(5,706)	–	34,113
Cash flows from investing activities							
Interest received	124,331	(11,908)	(15,029)	–	–	106,517	215,819
Payments for available-for-sale financial assets	(328,138)	–	–	–	–	–	(328,138)
Proceeds from disposal of available-for-sale financial assets	214,552	–	–	–	–	–	214,552
Increase in short-term deposits and investments	(3,259,010)	51,500	64,997	–	–	–	(3,194,013)
Decrease in short-term deposits and investments	–	–	–	1,193,176	–	431,138	1,624,314
Provision of entrusted loan	(507,054)	401,765	507,054	–	–	(431,138)	(431,138)
Purchase of property, plant and equipment, investment properties and intangible assets	(53,825)	1,514	1,911	–	–	–	(51,914)
Payment for acquisition of property transfer right	(312,099)	–	–	–	–	–	(312,099)
Payment for acquisition of an associate	–	–	–	(1,193,176)	–	–	(1,193,176)
Proceeds from disposal of 50% equity interest in a joint venture	65,628	(52,000)	(65,628)	–	–	–	–
Disposal of 100% equity interest of CEC Technology	–	–	–	(45,416)	–	–	(45,416)
Proceeds from government grants	4,872	(3,860)	(4,872)	–	–	–	–
Dividend received	12,621	(10,000)	(12,621)	–	–	–	–
Net cash used in investing activities	(4,038,122)	377,011	475,812	(45,416)	–	106,517	(3,501,209)

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2014	Pro forma adjustments					Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2014
		Disposal of CEC Technology Group		Other pro forma adjustments			
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3*	*Note 10*	*Note 4*	*Note 8*	*Note 11*	
Cash flows from financing activities							
Net proceeds from placing of new shares	536,283	–	–	–	–	–	536,283
Proceeds from bank and other borrowings	1,456,477	(1,154,039)	(1,456,477)	–	–	–	–
Repayment of bank and other borrowings	(632,562)	501,211	632,562	–	–	–	–
Payment for business combination	(755,905)	–	–	–	–	–	(755,905)
Dividends paid	(50,747)	–	–	–	–	–	(50,747)
Net proceeds from issuance of unsecured corporate bonds	3,421,244	–	–	–	–	–	3,421,244
Net cash generated from financing activities	3,974,790	(652,828)	(823,915)	–	–	–	3,150,875
Net decrease in cash and cash equivalents	(256,686)	(91,062)	(114,930)	(45,416)	(5,706)	106,517	(316,221)
Effect of exchange rate changes	(961)						(961)
Cash and cash equivalents at beginning of the year	791,781						791,781
Cash and cash equivalents at end of the year	534,134						474,599

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The unaudited consolidated balance sheet of the Group as at 30 June 2015 is extracted from the published interim report of the Company for the six months ended 30 June 2015. The audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 December 2014 are extracted from the published annual report of the Company for the year ended 31 December 2014.

2. The adjustments reflect the de-consolidation of the assets and liabilities of CEC Technology Group as at 30 June 2015 as extracted from the unaudited consolidated balance sheet of CEC Technology Group as at 30 June 2015 prepared by the management of CEC Technology, assuming the Transactions had taken place on 30 June 2015.

3. The adjustments reflect the de-consolidation of the results and exclusion of the cash flows of CEC Technology Group for the year ended 31 December 2014 as extracted from the unaudited consolidated income statement, the unaudited consolidated statement of comprehensive income and the unaudited consolidated cash flow statement of CEC Technology Group for the year ended 31 December 2014 prepared by the management of CEC Technology, assuming the Transactions had taken place on 1 January 2014.

4. The adjustment represents the consideration of HK$1,193,176,000 for the subscription of 1,491,469,917 new OVU Shares in cash at a price of HK$0.8 per OVU Share pursuant to the CECH Subscription Agreement. For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the HK$1,193,176,000 is assumed to be settled by the Group's short-term deposits and investments with original maturities of 3 to 6 months.

5. The adjustments represent the recognition of interest in OVU Group as an associate amounting to HK$2,397,000,000 and the gain on disposal of CEC Technology Group of HK$1,002,934,000. Upon the Completion, the Company will be interested in 2,550,000,000 OVU Shares. For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the fair value of the 2,550,000,000 OVU Shares is calculated based on the closing price of HK$0.94 per OVU Share as quoted on the Stock Exchange on 30 June 2015, which equals to HK$2,397,000,000. The gain on disposal of CEC Technology Group is HK$1,002,934,000, being the excess of the fair value of the 2,550,000,000 OVU Shares of HK$2,397,000,000 over (i) the net assets of CEC Technology Group as at 30 June 2015 amounting to HK$200,890,000 and (ii) the consideration for the subscription of 1,491,469,917 OVU Shares of HK$1,193,176,000 as described in note 4 which is non-recurring in nature.

The transactions of disposal of CEC Technology Group and subscription of OVU Shares are interconditional on each other and have been considered together when calculating the gain on disposal of CEC Technology Group to reflect the accounting impact and effect of the transactions as a whole.

6. Upon the Completion, OVU will become an associate of the Company. The results and assets and liabilities of OVU Group will be accounted for in the Unaudited Pro Forma Financial Information of the Enlarged Group under equity method of accounting in accordance with Hong Kong Accounting Standard 28 "Investments in Associates".

The adjustment represents the recognition of negative goodwill of HK$471,638,000 arising from the Transactions, which is non-recurring in nature, being the excess of the share of fair value of the enlarged OVU Group's identifiable assets and liabilities over the consideration transferred, and is calculated as follows:

	Note	**As at 30 June 2015** *HK$'000*
Fair value of the identifiable assets and liabilities of OVU Group	*a*	5,770,184
Fair value of the identifiable assets and liabilities of CEC Technology Group	*a*	880,834
Cash received by OVU from the Company's subscription of 1,491,469,917 new OVU Shares	*4*	1,193,176
Cash received by OVU from third parties' subscription of 1,450,000,000 new OVU Shares	*b*	1,148,400
Fair value of the identifiable assets and liabilities of the enlarged OVU Group		8,992,594
Share of fair value of the enlarged OVU Group attributable to the Group (31.9%)	*c*	2,868,638
***Less:* Consideration transferred**		
Fair value of the 2,550,000,000 OVU Shares	*5*	2,397,000
Negative Goodwill		471,638

Notes:

(a) The Directors have determined the fair values of the identifiable assets and liabilities of OVU Group and CEC Technology Group as at 30 June 2015 with reference to the valuation reports prepared by independent valuers, Savills Valuation and Professional Services Limited and DTZ, respectively. The fair values of the identifiable assets and liabilities of OVU Group, which mainly include properties under development, completed properties held for sale, property, plant and equipment and investment properties, are determined mainly using market approach. The fair values of the identifiable assets and liabilities of CEC Technology Group, which mainly include properties under development, land use rights and investment properties, are determined mainly using market approach.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, fair values of the net assets of OVU Group and CEC Technology Group as at 30 June 2015 were used to determine the negative goodwill of the Transactions. The fair values of the net assets of OVU Group and CEC Technology Group as at the Completion will be used to determine the actual amount of goodwill/negative goodwill of the Transactions. Such actual amount may be different from the amount presented herein and such difference may be significant.

(b) Pursuant to the placing agreement dated 14 December 2015, China Everbright has agreed to place, on a fully written basis, a total of 1,450,000,000 new OVU Shares at the price of HK$0.8 per OVU Share. The balance represents the amount received from the Placing of HK$1,160,000,000 less the related transaction cost of HK$11,600,000.

(c) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the Company will hold 31.9% interest in OVU upon the completion of the Transactions.

7. The adjustments represent the grossing up of intercompany balances and transactions between CEC Technology Group and other subsidiaries of the Group which were eliminated in the consolidated financial statements of the Group.

8. It represents the estimated professional fee and transaction cost for the disposal of CEC Technology of approximately HK$5.7 million which are non-recurring in nature.

9. The adjustment represents the share of result of the enlarged OVU Group as an associate of the Company, which is recurring in nature and is calculated as follows:

	For the year ended 31 December 2014
	HK$'000
Profit for the year of 2014 of OVU Group	523,998
Loss for the year of 2014 of CEC Technology Group	(16,095)
	507,903
	31.9%
Share of result of the enlarged OVU Group	162,021

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the calculation of the share of result of the enlarged OVU Group is based on OVU Group's profit for the year of 2014 as extracted from the OVU's published annual report for the year ended 31 December 2014 and CEC Technology Group's loss for the year of 2014 as extracted from the unaudited consolidated income statement of CEC Technology Group for the year ended 31 December 2014 prepared by the management of CEC Technology Group.

In deriving the share of result of the enlarged OVU Group for the year of 2014, no fair value adjustments have been made to the properties which were sold by OVU Group and CEC Technology Group during the year of 2014 and no fair value adjustments have been made to the depreciation and amortisation charges on the property, plant and equipment, land use rights and intangible assets for the year of 2014. Had such adjustments been made based on the fair values of these assets as at 1 January 2014, the share of result of the enlarged OVU Group for the year of 2014 and the negative goodwill resulted from the Transactions may be different from the amounts presented herein and in Note 6 above, and such differences may be significant. If the fair values of these assets as at 1 January 2014 were substantially higher than their then respective carrying values in the books of OVU Group and CEC Technology Group and the relevant fair value adjustments had been made, the share of result of the enlarged OVU Group would be substantially lower than the amount presented herein while the negative goodwill would also need to be adjusted accordingly. The fair values of the net assets of OVU Group and CEC Technology Group as at the date of Completion will be used to determine the actual amount of goodwill/negative goodwill of the Transactions, and the future share of result of the enlarged OVU Group will be

determined based on these fair values. Accordingly, the share of result of the enlarged OVU Group presented herein does not purport to predict the future share of result of OVU Group after the Transactions have been completed.

10. For the purpose of preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group, amounts denominated in RMB are converted into HK$ at HK$1.0 to RMB0.78861. For the purpose of preparing the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Enlarged Group, amounts denominated in RMB are converted into HK$ at HK$1.0 to RMB0.79235. Such exchange rates have been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been, or will be exchanged at such rate or at all.

11. Pursuant to the Equity Interest Transfer Agreement, the Group will continue to provide financial assistance in the form of the Charge Over Deposits and the Entrusted Loans to CEC Technology Group for a period of up to 1 year after the Completion or 31 December 2016 (whichever is earlier) at a maximum aggregate amount of RMB1.2 billion (equivalent to approximately HK$1.5 billion). All the terms of the arrangement of the Charge Over Deposits and the Entrusted Loans will remain the same. In consideration of the Group continuing to provide the Charge Over Deposits and the Entrusted Loans in favour of CEC Technology Group after the Equity Transfer Completion, OVU Group shall pay an interest in respect of the outstanding amount of loans drawn down by CEC Technology Group from Xiamen Bank under the Charge Over Deposits and the Entrusted Loans to the Group such that the aggregate interest payable by OVU Group to Xiamen Bank and the Group would be equal to the amount calculated at the rate of 7% per annum on the outstanding amount of such loans as from the date of the Equity Transfer Completion.

    For the purpose of preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group, it is assumed that the outstanding amount of loans drawn down by CEC Technology Group from Xiamen Bank is RMB860 million (equivalent to approximately HK$1,091 million) and the Entrusted Loans to CEC Technology Group is RMB340 million (equivalent to approximately HK$431 million) as at 30 June 2015 as if the Transactions had taken place on 30 June 2015.

For the purpose of preparing the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Enlarged Group, it is assumed that the outstanding amount of loans drawn down by CEC Technology Group from Xiamen Bank of RMB860 million (equivalent to approximately HK$1,091 million) and the Entrusted Loans to the CEC Technology Group of RMB340 million (equivalent to approximately HK$431 million) were recognised on 1 January 2014 as if the Transactions had taken place on 1 January 2014. The interest income of RMB84 million (equivalent to approximately HK$107 million) was recognised accordingly, which is non-recurring in nature.

12. No adjustments have been made to reflect any transactions of the Group and OVU Group entered into subsequent to 30 June 2015 for the purpose of preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group. No adjustments have been made to reflect any trading results of the Group and OVU Group entered into subsequent to 31 December 2014 for the purpose of preparing the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Enlarged Group.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Electronics Corporation Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group"), and Optics Valley Union Holding Company Limited (the "Target Company") and its subsidiaries (collectively the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 June 2015, the unaudited pro forma consolidated income statement and statement of comprehensive income for the year ended 31 December 2014, the unaudited the pro forma consolidated cash flow statement for the year ended 31 December 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-13 of the Company's circular dated 19 February 2016, in connection with the major transaction relating to the disposal of 100% equity interest in China Electronics Technology Development Co., Ltd., a wholly-owned subsidiary of the Company and the very substantial acquisition in relation to the subscription of the Target Company's new shares (the "Transactions") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-13.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transactions on the Group's financial position as at 30 June 2015 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the Transactions had taken place at 30 June 2015 and 1 January 2014 respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the six months ended 30 June 2015, on which a review report has been published, and information about the Group's financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2014, on which an audit report has been published.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the Transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 30 June 2015 or 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 February 2016

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by CEC Technology Group in the PRC as at 30 November 2015.

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

19 February 2016

The Board of Directors
China Electronics Corporation Holdings Company Limited
Room 3403, 34th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Valuation date

In accordance with the instructions of China Electronics Corporation Holdings Company Limited (中國電子集團控股有限公司)(the "Company") for us to carry out the valuation of the market value of the properties (the "Properties") held by China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司)("CEC Technology") and its subsidiaries, joint venture and associate (together "CEC Technology Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 30 November 2015 (the "valuation date").

CEC Technology is a wholly owned subsidiary of the Company.

Definition of Market Value

Our valuations of each of the Properties represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties held by CEC Technology Group in the PRC, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by CEC Technology Group, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

According to financial information of CEC Technology Group for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are the PRC business tax (approximately 5% of the sales consideration) and the PRC land appreciation tax (approximately 30%-60% of the appreciation amount). According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

For portions of the Properties in Group I held by CEC Technology Group for sale, a potential tax liability attributable to CEC Technology Group estimated to be approximately RMB8,230,000 would arise if such Properties were to be sold at the amount of valuations. Depending on the sale status, there is likelihood of such liability referred to in above being crystallized. The remaining portion of the Properties in Group I held by CEC Technology Group for investment and Group II held by CEC Technology Group for development respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

Method of Valuation

In valuing the Properties in Group I, which are held by CEC Technology Group for sale/investment in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market or where appropriate, we have also valued the Properties by Investment Approach by capitalizing the rental derived from the existing tenancies with due provision for the reversionary rental potential of the Properties.

In valuing the Properties in Group II, which are held by CEC Technology Group for development in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also taken into account the expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by CEC Technology Group. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, completion dates of building, construction cost, particulars of occupancy, development scheme, tenancy information, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by CEC Technology Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by CEC Technology Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our DTZ PRC Offices valuers, Eric Fan, Jack Sun, Stephanie Shen, Jeff Cui have inspected the exterior and, wherever possible, the interior of the properties in August 2015 respectively. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Remark

Please note that DTZ Debenham Tie Leung Limited is also appointed by the Company (stock code 85) and Optics Valley Union Holdings Company Limited (stock code 798) to prepare valuations of the same properties for public disclosure purpose respectively. DTZ Debenham Tie Leung Limited has sought consent from the Company for us to carry out the valuations for Optics Valley Union Holdings Company Limited. The Company and Optics Valley Union Holdings Company Limited understand that our valuations are carried out on an impartial basis without bias to any party concerned.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 23 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 30 November 2015	CEC Technology Group's attributable interest	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group
		RMB	*%*	*RMB*
Group I – Property held by CEC Technology Group for sales/investment in the PRC				
1.	Retail and residential units of Qingfen Ju, Hainan Resort Software Community ("Hainan RSC"), north of Nanyihuan Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	28,480,000	40%	11,392,000
2.	Office buildings in Lot B, Hainan RSC, north of 700m from Nanyihuan Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	94,600,000	40%	37,840,000
3.	Incubation building in Lot A, Hainan RSC, north of Nanyihuan Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	95,100,000	40%	38,040,000

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
4.	CEC Beihai Industrial Park ("Beihai Industrial Park"), north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	409,432,000	100%	409,432,000
5.	Level 15, CEC Building, No. 6 Zhongguancun Nandajie, Haidian District, Beijing, the PRC	50,400,000	100%	50,400,000
	sub-total of Group I in RMB:	**678,012,000**		**547,104,000**
	Group II – Properties held by CEC Technology Group for development in the PRC			
6.	Mingyue Ju, south of Boyuan Road and Ruifeng Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	113,200,000	40%	45,280,000

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
7.	Portion of Lot A located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	36,400,000	40%	14,560,000
8.	Lot C located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	721,300,000	40%	288,520,000
9.	A site located at northeast of Yingbin Road and Haipin Erheng Road, Yingbin Peninsula, Hainan Province, the PRC	46,000,000	40%	18,400,000
10.	A proposed residential development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	418,600,000	40%	167,440,000

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
11.	A proposed retail development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	375,000,000	40%	150,000,000
12.	A proposed residential and industrial development in Plot G, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	527,500,000	40%	211,000,000
13.	Portion of Lot B located at north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	52,000,000	40%	20,800,000
14.	Portion of Lot B located at south of Boyuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	47,800,000	40%	19,120,000

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
15.	Three sites of Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	3,800,000	100%	3,800,000
16.	A proposed residential development located at the northeast of the junction of Nanzhu Avenue and Taiwan Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	509,821,000	28.9%	147,338,300
17.	Block 1 to 5 of Phase 1 of CEC Xi'an Industrial Park ("Xi'an Industrial Park"), Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	131,000,000	73.91%	96,822,100

	Property	Market Value in existing state as at 30 November 2015 *RMB*	CEC Technology Group's attributable interest *%*	Market Value in existing state as at 30 November 2015 attributable to CEC Technology Group *RMB*
18.	Block 9 of Phase 2 of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	146,000,000	73.91%	107,908,600
19.	The remain vacant land of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	65,000,000	73.91%	48,041,500
	sub-total of Group II in RMB:	**3,193,421,000**		**1,339,030,500**
	Grand total:	**3,871,433,000**		**1,886,134,500**

VALUATION CERTIFICATE

Group I – Property held by CEC Technology Group for sales/investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
1.	Retail and residential units of Qingfen Ju, Hainan RSC, north of Nanyihuan Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a residential and retail podium erected on one parcel of land with a site area of 21,647.28 sq m which was completed in 2013. According to the information provided by CEC Technology Group, the Property comprises portion of residential with a total gross floor area of 421.43 sq m and portion of retail units with a total gross floor area of 3,284.92 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2080 for residential use.	As at the valuation date, the Property was vacant.	RMB28,480,000 (40% interest attributable to CEC Technology Group: RMB11,392,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1237 dated 13 June 2010, the land use rights of the Property, comprising a total site area of 21,647.28 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology, for a term due to expire on 20 May 2080 for residential use.

(2) According to 24 Building Ownership Certificates, unsold portion of retail and residential units of Qingfen Ju, with a total gross floor area of 3,706.35 sq m, have been vested to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）:

Certificate No.	**Uses**	**Gross Floor Area** *(sq m)*
4616	commercial	142.66
4617	commercial	247.42
4618	commercial	247.42
4619	commercial	183.58
4620	commercial	247.42
4621	commercial	195.61
4622	commercial	135.66
4676	commercial	132.24
4677	commercial	118.00
4678	commercial	143.66
4679	commercial	143.66
4680	commercial	118.01
4681	commercial	118.00
4682	commercial	143.66
4683	commercial	143.66
4684	commercial	118.01
4685	commercial	132.23
4755	commercial	162.22
4756	commercial	205.90
4757	commercial	205.90
4934	residential	159.95
4935	residential	125.59
4936	residential	43.12
4937	residential	92.77
	Total	**3,706.35**

(3) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:-

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the Building Ownership Certificate, it is the legal owner of the building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, and has the rights to pre-sell according to the stipulated scope of pre-sell;

(iv) The land use rights and building ownership are subject to a mortgage to China Citic Bank Haikou Branch（中信銀行海口分行）for a loan period of till 29 July 2016; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
2.	Office buildings in Lot B, Hainan RSC, north of 700m from Nanyihuan Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a composite development erected on a parcel of land with a site area of 36,672.15 sq m which was completed in 2013. According to the information provided by CEC Technology Group, the Property comprises portion of office with a total gross floor area of 15,815.20 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 1 November 2051 for commercial and finance use.	As at the valuation date, portion of the Property, with a total gross floor area of 1,976.90 sq m, was subject to tenancies for terms with the latest expiry date on 31 May 2019 at a total monthly rent of RMB73,000. The remaining portion of the Property was vacant.	RMB94,600,000 (40% interest attributable to CEC Technology Group: RMB37,840,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2011)1366 dated 22 December 2011, the land use rights of the Property, comprising a total site area of 36,672.15 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology, for a term due to expire on 1 November 2051 for commercial and finance use.

(2) According to 8 Building Ownership Certificates, Office buildings in Lot B, with a total gross floor area of 15,815.20 sq m, have been vested to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）:

Certificate No.	**Uses**	**Gross Floor Area** *(sq m)*
3698	office	1,976.90
3699	office	1,976.90
3700	office	1,976.90
3702	office	1,976.90
3704	office	1,976.90
3705	office	1,976.90
3710	office	1,976.90
3712	office	1,976.90
	Total	**15,815.20**

(3) According to Completion and Acceptance Tables No. 2013 (07), the construction works of Blocks B1-29 of Lot B comprising a total gross floor area of 57,137.20 sq m were completed.

The Property is part of the said properties.

(4) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:-

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the Building Ownership Certificate, it is the legal owner of the building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, and has the rights to pre-sell according to the stipulated scope of pre-sell;

(iv) According to the Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, the delay in development is due to change of land use; no idle land investigation or determination is received; and is not subject to any penalties (including payment of liquidated damages);

(v) The land use rights and building ownership are subject to a mortgage to Shanghai Pudong Development Bank Haikou Branch（上海浦東發展銀行海口分行）for a loan period of till 30 November 2016; and

(vi) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Completion and Acceptance Table	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
3.	Incubation building in Lot A, Hainan RSC, north of Nanyihuan Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises various office units of a 6-storey building namely Incubation Building of Hainan RSC erected on a parcels of land with an attributable site area of 108,691.75 sq m. The Property was completed in 2011. The Property comprises a total gross floor area of 16,935.56 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2050 for commercial use.	As at the valuation date, portion of the Property, with a total gross floor area of 891 sq m, was subject to one tenancy with the expiry date on 31 August 2021 at a total monthly rent of RMB39,000, exclusive of management. A total gross floor area of 6,494.55 sq m was owner-occupied. The remaining portion of the Property was vacant.	RMB95,100,000 (40% interest attributable to CEC Technology Group: RMB38,040,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1236 dated 13 June 2010, the land use rights of the Property, comprising a total site area of 108,691.75 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology, for a term due to expire on 20 May 2050 for commercial use.

(2) According to Building Ownership Certificate No. 3121 dated 2 August 2011, a total gross floor area of 16,935.56 sq m have been vested to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）for commercial use.

(3) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:-

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the Building Ownership Certificate, it is the legal owner of the building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iv) The land use rights and building ownership are subject to a mortgage to China Citic Bank Haikou Branch (中信銀行海口分行) for a loan period of till 29 November 2016; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
4.	Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	Beihai Industrial Park is an industrial development in various phases. The Property is one phase of Beihai Industrial Park erected on seven parcels of land with a total site area of 202,119.12 sq m. The completed portion of the Property comprises 6 blocks of industrial buildings, 4 blocks of dormitory buildings and an equipment room of Beihai Industrial Park, which are designated for investment purposes, with a total gross floor area of 159,682.25 sq m. The uncompleted portion of the Property comprises a block of industrial building named A02 & A03, which is designated for investment purpose with a total proposed gross floor area of 33,033.93 sq m. It is scheduled to be completed in 2016. The Property is located at north of Taiwan Road and east of Jilin Road in Haicheng District of Beihai. Developments nearby are mainly industrial development. According to CEC Technology Group, the Property is used for industrial and dormitory use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 22 July 2058 for industrial use.	As at the valuation date, portion of the Property, with a total gross floor area of 116,502.99 sq m, is subject to various tenancies with the latest expiry date on 31 May 2030 at a total monthly rent of RMB755,966, exclusive of management fee. Portion of the Property, with a total gross floor area of 11,043.55 sq m, was vacant. Portion of the Property, with a total gross floor area of 27,412.41 sq m, was occupied by various tenants without tenancy on month to month basis at concessionary rent. As advised by CEC Technology Group, the formal tenancies will be entered into with the tenants in due course. The remaining portion of the Property with a total gross floor area of 33,033.93 sq m was under construction.	RMB409,432,000 (100% interest attributable to CEC Technology Group: RMB409,432,000)

Block No.	Uses	Gross Floor Area (sq m)
D03	Industrial	9,664.08
A01	Industrial	21,204.39
B01	Industrial	36,289.88
B02	Industrial	23,840.08
B03	Industrial	23,808.22
C01	Dormitory	7,765.55
C02	Dormitory	7,765.55
C03	Dormitory	10,550.12
C04	Dormitory	8,505.15
	Equipment room	342.79
	Sub-total	149,735.81
D02	Industrial	9,946.44
	Sub-total	9,946.44
	Total	**159,682.25**

Notes:

(1) According to 7 Certificates for the Use of State-owned Land all dated 27 July 2012, the land use rights of the Property, comprising a total site area of 202,119.12 sq m, have been granted to China Electronics Beihai Industrial Park Development Co., Ltd.（中國電子北海產業園發展有限公司）("CEC Beihai"), a wholly-owned subsidiary of CEC Technology, for a term due to expire on 22 July 2058 for industry use:

Certificate No.	**Land Lot No.**	**Site Area** *(sq m)*
BGY(2012)No.B37753	13-3-19	11,929.65
BGY(2012)No.B37746	13-3-16	22,214.40
BGY(2012)No.B37754	13-3-21	30,267.85
BGY(2012)No.B37757	13-3-12	31,192.72
BGY(2012)No.B37756	13-3-20	12,188.22
BGY(2012)No.B37748	13-3-15	48,004.42
BGY(2012)No.B37747	13-3-14	46,321.86
	Total	**202,119.12**

(2) According to 10 Building Ownership Certificates, the buildings of Beihai Industrial Park, with a total gross floor area of 149,735.81 sq m, have been vested to CEC Beihai:

Certificate No.	**Address**	**Gross Floor Area** *(sq m)*
BFQZ(2012)No. 051016	No. 1 Guihua'er Road	36,289.88
BFQZ(2013)No. 003201	No. 2 Guihua'er Road	21,204.39
BFQZ(2013)No. 003347	No. 12 Guihuasan Road	9,664.08
BFQZ(2013)No. 029725	Block No. 1, No.16 Guihua'er Road	7,765.55
BFQZ(2013)No. 029726	Block No. 2, No.16 Guihua'er Road	8,505.15
BFQZ(2013)No. 029727	Block No. 3, No.16 Guihua'er Road	7,765.55
BFQZ(2013)No. 029728	Block No. 4, No.16 Guihua'er Road	10,550.12
BFQZ(2014)No. 068721	Block No. 5, No.16 Guihua'er Road	342.79
BFQZ(2015)No. 036546	Block No. B02, No.386 Beihai Avenue	23,840.08
BFQZ(2015)No. 036552	Block No. B03, No.386 Beihai Avenue	23,808.22
	Total	**149,735.81**

(3) According to Planning Permit for Construction Works No. 450501201000087 dated 19 August 2010, the construction works of the Property complied with urban planning requirements and was permitted to be developed with a total gross floor area of 9,946.44 sq m.

(4) According to Planning Permit for Construction Use of Land No. 450501201400219 dated 21 November 2014, the construction site of Blocks A02 & A03 of the Property with a total site area of 46,321.86 sq m complied with urban planning requirements.

(5) According to Planning Permit for Construction Works No. 450501201400102 dated 11 October 2014, the construction works of Blocks A02 & A03 of the Property complied with urban planning requirements and was permitted to be developed with a total gross floor area of 33,033.93 sq m.

(6) According to Permit for Commencement of Construction Works No. 450501201511170101 dated 17 November 2015, the construction works of Blocks A02 & A03 of the Property was permitted to commence with a total gross floor area of 33,033.93 sq m.

(7) According to the information provided, the total construction cost to complete Blocks A02 & A03 of the Property, with a total gross floor area of 33,033.93 sq m was RMB50,788,465; a construction cost of RMB49,772,695 had been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said expended construction costs.

(8) The Estimated Market Value as if completed of the portion of the Blocks A02 & A03 of the Property, with a total gross floor area of 33,033.93 sq m as at 30 November 2015 was RMB77,895,000.

(9) According to Business Licence No. 450500000013590 dated 13 April 2010, CEC Beihai was established as a limited liability company on 16 April 2009 with a registered capital of RMB150,000,000 for a valid operation period from 16 April 2009 to 15 April 2029.

(10) According to the PRC legal opinion:-

(i) CEC Beihai is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) CEC Beihai has obtained the Building Ownership Certificate, it is the legal owner of the building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) The construction works is in progress and CEC Beihai is processing the application of title proof; and

(iv) The land use rights and building ownership are not subject to any mortgage.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Work	Yes
Building Ownership Certificate	Yes (partly)
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
5.	Level 15, CEC Building, No. 6 Zhongguancun Nandajie, Haidian District, Beijing, the PRC	CEC Building (中電信息大厦) is an 18-storey plus 2 levels of basement office building completed in 2002. According to the information provided by CEC Technology Group, the whole floor of Level 15 comprises a total gross floor area of 1,365.03 sq m and an attributable site area of 213.69 sq m. Level Nos. 13 and 14 are not assigned inside CEC Building, thus, Level 15, is now known as Level 17. The Property is located at Zhongguancun in Haidian District of Beijing. Developments nearby are mainly office and residential development. According to CEC Technology Group, the Property is used for office use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 1 May 2043 for office use.	Please See Note (1).	RMB50,400,000 (100% interest attributable to CEC Technology Group: RMB50,400,000)

Notes:

(1) According to the information provided by CEC Technology Group, the particulars of occupancy of the Property was as follow:

Building	Particulars of occupancy
1	Portion of the Property, with a total gross floor area of 433 sq m, was subject to a tenancy for a term due to expire on 19 May 2016 at a total monthly rent of RMB77,940, exclusive of management fee.
2	Portion of the Property, with a total gross floor area of 208.48 sq m, was subject to a tenancy for a term due to expire on 24 November 2015 at a total monthly rent of RMB50,035, exclusive of management fee.
3	The remaining portion of the Property was occupied by CEC Technology Group.

(2) According to Certificate for the Use of State-owned Land No. (2008) 4432 dated 28 April 2008, the land use rights of Level 15, comprising an attributable site area of 213.69 sq m, has been granted to CEC Technology, for a term due to expire on 1 May 2043 for office use.

(3) According to Building Ownership Certificate No. 036455 dated 27 March 2008, the building ownership of Level 15, comprising a total gross floor area of 1,365.03 sq m, has been vested in CEC Technology for office use.

(4) According to Business Licence No. 110000007524497 dated 30 July 2012, CEC Technology was established as a limited company with a registered capital of RMB100,000,000 for a valid operation period from 9 April 1988 to 8 April 2028.

(5) According to the PRC legal opinion:-

(i) CEC Technology is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) CEC Technology has obtained the Building Ownership Certificate, it is the legal owner of the building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way; and

(iii) The land use rights and building ownership are not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by CEC Technology Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
6.	Mingyue Ju, south of Boyuan Road and Ruifeng Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	The Property includes a residential development erected on a parcel of land with a total site area of 14,434.50 sq m. According to the information provided by CEC Technology Group, the Property comprises portion of residential with a total gross floor area of 17,748.24 sq m and portion of retail units with a total gross floor area of 1,358.27 sq m. The Property is located at Laocheng Economic Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 June 2080 for residential use.	As at the valuation date, the Property was vacant.	RMB113,200,000 (40% interest attributable to CEC Technology Group: RMB45,280,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2013)1434 dated 25 February 2013, the land use rights of the Property, comprising a total site area of 14,434.50 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology, for a term due to expire on 20 June 2080 for residential use.

(2) According to 4 Building Ownership Certificates, portion of residential and commercial units of Mingyue Ju, with a total gross floor area of 35,736.68 sq m, have been vested to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）:

Certificate No.	**Uses**	**Gross Floor Area** *(sq m)*
9200	Commercial and residential	8,417.08
9201	Residential	8,289.60
9202	Commercial and residential	10,740.40
9203	Residential	8,289.60
	Total	**35,736.68**

(3) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:-

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the Building Ownership Certificate, it is the legal owner of the building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iv) The land use rights and building ownership are subject to a mortgage to Shanghai Pudong Development Bank Haikou Branch（上海浦東發展銀行海口分行）for a loan period of till 30 November 2016; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
7.	Portion of Lot A located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with an attributable site area of 21,627.82 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2050 for commercial use.	As at the valuation date, the Property was a vacant land.	RMB36,400,000 (40% interest attributable to CEC Technology Group: RMB14,560,000)

Notes:

(1) According to Certificate for the Use of State-owned Land, the land use rights of the Property, comprising an attributable site area of 108,691.75 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology:

Certificate No.	Issued Date	Location	Site Area (sq m)	Uses	Expiry Date
(2010)1236	13 June 2010	North of 1 km from Nanyihuan Road, Laocheng Development Zone	108,691.75	Commercial	20 May 2050
		Total	**108,691.75**		

As advised, the Property comprises part of the said site area with an attributable site area of 21,627.82 sq m. The discrepancy of site area is due to part of the site area has been used for other development.

(2) According to Land Use Rights Grant Contract No. 27010-200902 dated 1 June 2009 and its Supplement Contract No.201037 dated 21 October 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	North of 1 km from Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	108,692 sq m
(iv)	Land Use	:	Commercial use
(v)	Plot Ratio	:	Not more than 1.2
(vi)	Land Premium	:	RMB28,259,920
(vii)	Land Use Term	:	40 years

(3) According to Planning Permit for Construction Use of Land No. 2010148 dated 18 June 2010, the construction site of a parcel of land with a total site area of 108,691.75 sq m complied with urban planning requirements.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:-

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the Building Ownership Certificate, it is the legal owner of the Building and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(iii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction; and

(iv) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
8.	Lot C located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises 3 parcels of land with an attributable site area of 337,714.79 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential and office development. According to CEC Technology Group, the Property is used for residential and commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for various terms. Detail of land use rights, please see Note (1).	As at the valuation date, portion of the Property was under construction, the remaining part of the Property was a vacant land.	RMB721,300,000 (40% interest attributable to CEC Technology Group: RMB288,520,000)

Notes:

(1) According to 3 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising an attributable site area of 337,714.79 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology:

Certificate No.	Issued Date	Location	Site Area *(sq m)*	Uses	Expiry Date
(2015)1572	25 March 2015	South of 700m from Nanyihuan Road, Laocheng Development Zone	208,079.13	Commercial	14 January 2050
(2010)1214	2 April 2010	South of 600m from Nanyihuan Road, Laocheng Development Zone	123,289.77	Commercial	30 May 2050
(2015)1607	8 October 2015	South of 700m from Nanyihuan Road, Laocheng Development Zone	6,345.89	Commercial and service	18 May 2055
		Total	**337,714.79**		

(2) According to Land Use Rights Grant Contract No. 27011-200920 dated 11 January 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	208,079.13 sq m
(iv)	Land Use	:	Residential use
(v)	Plot Ratio	:	1.6
(vi)	Land Premium	:	RMB63,680,000
(vii)	Land Use Term	:	70 years

According to the Modification Land Use Rights Grant Contract dated 19 December 2014, the said land was changed to commercial use as follows:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	208,079.13 sq m
(iv)	Land Use	:	Commercial use
(v)	Plot Ratio	:	1.2
(vi)	Supplemental Land Premium	:	RMB1,637,200
(vii)	Land Use Term	:	70 years

According to the Land Use Rights Grant Contract No. 27010-200903 dated 1 June 2009 and its Supplement Contract No. 201036 dated 31 October 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	South of 600m from Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	123,289.77 sq m
(iv)	Land Use	:	Commercial use
(v)	Plot Ratio	:	1.2
(vi)	Land Premium	:	RMB50,348,499
(vii)	Land Use Term	:	40 years

According to the Land Use Rights Grant Contract No. 201514 dated 8 May 2015:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	South of 700m from Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	6,346.00 sq m
(iv)	Land Use	:	Other commercial use
(v)	Plot Ratio	:	No more than 1.2
(vi)	Land Premium	:	RMB8,300,000
(vii)	Land Use Term	:	40 years

(3) According to Planning Permit for Construction Use of Land No. DZD2010150 dated 18 June 2010, the construction site of land with a site area of 123,289.77 sq m complied with urban planning requirements.

According to Planning Permit for Construction Use of Land No. DZD004 dated 2 February 2015, the construction site of land with a site area of 208,079.13 sq m complied with urban planning requirements.

According to Planning Permit for Construction Use of Land No. 4690012015053 dated 20 August 2015, the construction site of land with a site area of 6,345.99 sq m complied with urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2015)CJGJZZ020 dated 2 February 2015, the Property has been permitted for the construction with a total gross floor area of 46,140.88 sq m (including underground gross floor area of 1,718.00 sq m).

(5) According to Permit for Commencement of Construction Works No. 469023/20150424/01/01 dated 24 April 2015, the construction works of the Property complied with the requirement of work commencement and was permitted to be developed with a total gross floor area of 45,996.88 sq m.

(6) According to the information provided by CEC Technology Group, a construction cost of RMB122,184,191 has been expended for the development of the Property as at valuation date. In the course of our valuation, we have taken into account the above expended construction cost.

(7) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(8) According to the PRC legal opinion:-

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, the delay in development is due to change of land use; no idle land investigation or determination is received; and is not subject to any penalties (including payment of liquidated damages);

(iv) The land use rights and building ownership are subject to a mortgage to China Construction Bank Haikou Housing and Urban-Rural Development Sub-Branch（建設銀行海口住房城建支行）for a loan period of till 26 August 2020; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
9.	A site located at northeast of Yingbin Road and Haipin Erheng Road, Yingbin Peninsula, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 63,501.13 sq m. The Property is located at northeast of Yingbin Road and Haipin Erheng Road in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to CEC Technology Group, the Property is used for science and education use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 2 May 2060 for science and education use.	As at the valuation date, the Property was a vacant site with two buildings pending for demolish.	RMB46,000,000 (40% interest attributable to CEC Technology Group: RMB18,400,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1256 dated 19 November 2010, the land use rights of the Property, comprising a total site area of 63,501.13 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology, for a term due to expire on 2 May 2060 for science and education use.

(2) According to Land Use Rights Grant Contract No. 27013-201006 dated 4 May 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	Yingbin Peninsula, Laocheng Development Zone
(iii)	Site Area	:	63,501.00 sq m
(iv)	Land Use	:	Science and education use
(v)	Plot Ratio	:	0.5
(vi)	Land Premium	:	RMB31,000,000
(vii)	Land Use Term	:	Due to expire on 2 May 2060

(3) According to Planning Permit for Construction Use of Land No. 101 dated 25 April 2011, the construction site of a parcel of land with a total site area of 63,501.13 sq m complied with urban planning requirements.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:–

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) According to the Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, no idle land investigation or determination is received; and is not subject to any penalties (including payment of liquidated damages); and

(iii) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
10.	A proposed residential development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a proposed residential development erected on two parcels of land with a total site area of 116,611.71 sq m. According to the information provided by CEC Technology Group, the Property will be developed into a residential development with a total gross floor area of 349,835.13 sq m. The Property is located at south of the Nanyihuan Road and east of Yinglunnaner Road in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property has been granted for a term due to expire on 20 June 2080 for residential use.	As at the valuation date, an exhibition center was completed. Portion of Property was a vacant land and the remaining portion was under construction.	RMB418,600,000 (40% interest attributable to CEC Technology Group: RMB167,440,000)

Notes:

(1) According to 2 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a total site area of 116,611.71 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology:

Certificate No.	Issued Date	Location	Site Area *(sq m)*	Uses	Expiry Date
(2015)1579	1 April 2015	South of Nanyihuan Road, Laocheng Development Zone	51,565.73	Residential	20 June 2080
(2015)1580	1 April 2015	South of Nanyihuan Road, Laocheng Development Zone	65,045.98	Residential	20 June 2080
		Total	**116,611.71**		

(2) According to Land Use Rights Grant Contract No. BHSTCZ2009023 dated 9 November 2009:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	144,120.00 sq m
(iv)	Land Use	:	Science and education use
(v)	Plot Ratio	:	Not more than 1.8
(vi)	Land Premium	:	RMB35,100,000
(vii)	Land Use Term	:	50 years

According to the Modification Land Use Rights Grant Contract dated 30 July 2014, part of the said land was changed to residential use as follows:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Site Area	:	Lot A: 51,565.73 sq m, Lot B: 65,045.98 sq m
(iii)	Land Use	:	Residential use
(iv)	Supplemental Land Premium	:	RMB114,131,100

(3) According to Planning Permit for Construction Use of Land No. 2010317 dated 10 September 2010, the construction site of the land with a total site area of 144,121.04 sq m complied with urban planning requirements.

(4) We noted that the portion of the Property, an exhibition center is completed without Planning Permit for Construction Works and Permit for Commencement of Construction Works, we are on the assumption that all relevant permit will be issued in due course and the related fees incurred have been fully settled. According to the information provided, a construction cost of RMB61,551,247 has been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said expended construction costs.

(5) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(6) According to the PRC legal opinion:–

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, the delay in development is due to change of land use; no idle land investigation or determination is received; and is not subject to any penalties (including payment of liquidated damages);

(iv) The land use rights and building ownership are subject to a mortgage to China Construction Bank Haikou Housing and Urban-Rural Development Sub-Branch (建設銀行海口住房城建支行) for a loan period of till 10 December 2024; and

(v) In respect of the land use rights which have been mortgaged, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司） is entitled to occupy and use. Transfer, lease, mortgage or otherwise dispose of such land use rights will be subject to the prior consent from the mortgagee.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
11.	A proposed retail development in Plot E, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a proposed retail development erected on a parcel of land with a site area of 59,620.00 sq m. According to the information provided by CEC Technology Group, the Property will be developed into a retail development with a total gross floor area 71,900.39 sq m. The Property is located at south of the Nanyihuan Road and west of Meilun River in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to CEC Technology Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property has been granted for a term due to expire on 20 June 2050 and 30 October 2053 for commercial use.	As at the valuation date, the Property was under construction.	RMB375,000,000 (40% interest attributable to CEC Technology Group: RMB150,000,000)

Notes:

(1) According to 2 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising an attributable site area of 59,620.00 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology:

Certificate No.	Issued Date	Location	Site Area *(sq m)*	Uses	Expiry Date
(2014)1550	10 October 2014	South of Nanyihuan Road, Laocheng Development Zone	27,508.12	Commercial	20 June 2050
(2014)1535	24 June 2014	North of Nanerhuan Road, west of Meilun River, Laocheng Development Zone	32,111.88	Commercial	30 October 2053
		Total	**59,620.00**		

As advised, the Property with a total site area of 59,620.00 sq m is part of the site area in Note (2) below. The discrepancy of site area is due to part of the site area has been used for other development.

(2) According to Land Use Rights Grant Contract No. BHSTCZ2009023 dated 9 November 2009, the details as followed:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	144,120.00 sq m
(iv)	Land Use	:	Science and education use
(v)	Plot Ratio	:	Not more than 1.8
(vi)	Land Premium	:	RMB35,100,000
(vii)	Land Use Term	:	50 years

According to the Modification Land Use Rights Grant Contract dated 30 July 2014, part of the said land was changed to commercial use as follows:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Site Area	:	27,508.12 sq m
(iii)	Land Use	:	Commercial use
(iv)	Supplemental Land Premium	:	RMB12,362,500

According to Land Use Rights Transfer Contract No. RSCKF2013014 dated 25 December 2013, the details as followed:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	North of Nanerhuan Road, West of Meilun River, Laocheng Development Zone
(iii)	Site Area	:	32,111.88 sq m
(iv)	Land Use	:	Commercial use
(v)	Land Premium	:	RMB35,330,000

(3) According to Planning Permit for Construction Use of Land No. 088 dated 7 September 2014, the construction site of a parcel of land with a total site area of 27,508.12 sq m complied with urban planning requirements.

According to Planning Permit for Construction Use of Land No. 055 dated 14 May 2014, the construction site of a parcel of land with a total site area of 32,112.18 sq m complied with urban planning requirements.

(4) According to Planning Permit for Construction Works No. CJGJZ2014（152）issued by Housing and Urban Rural Development Bureau of Chengmai County（澄邁縣住房和城鄉建設局）on 10 September 2014, the construction works of the Property comprising a total gross floor area of 71,900.39 sq m complied with the construction works requirements and have been approved.

(5) According to Commencement Permits for Construction Works No. 469023/20141128/01/01 issued by Housing and Urban Rural Development Bureau of Chengmai County（澄邁縣住房和城鄉建設局）on 28 September 2014, the construction works of the Property with a total gross floor area of 71,900.39 sq m complies with the requirements for works commencement and have been permitted.

(6) We noted that the Property with a total gross floor area of 71,900.39 sq m, we are on the assumption that all relevant permit will be issued in due course and the related fees incurred have been fully settled. According to the information provided, a construction cost of RMB280,343,822 has been expended for the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said construction costs.

(7) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(8) According to the PRC legal opinion:–

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Land Use Rights Transfer Contract	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
12.	A proposed residential and industrial development in Plot G, located at the south of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a proposed industrial and residential development erected on a parcel of land with a site area of 327,744.86 sq m. According to the information provided by CEC Technology Group, the Property will be developed into a residential development with a total gross floor area above ground of 310,572.90 sq m. The Property is located at south of Nanerhuan Road in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to CEC Technology Group, the Property is used for residential and industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property has been granted for a term of 50 years for industrial use and 70 years for residential use (see Note 1).	As at the valuation date, the Property was a vacant land pending for development.	RMB527,500,000 (40% interest attributable to CEC Technology Group: RMB211,000,000)

Notes:

(1) According to 4 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a total site area of 327,744.86 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology:

Certificate No.	Issued Date	Location	Site Area (sq m)	Uses	Expiry Date
(2014)1516	11 May 2014	South of Nanerhuan Road	50,953.65	Industrial	1 Feb 2064
(2014)1517	11 May 2014	South of Nanerhuan Road	81,852.94	Industrial	1 Feb 2064
(2014)1519	25 May 2014	South of 1km from Nanerhuan Road	53,438.13	Industrial	1 Feb 2064
(2014)1543	19 July 2014	South of Nanerhuan Road	141,500.14	Industrial	29 November 2063
		Total	**327,744.86**		

According to 3 Certificates for the Use of State-owned Land, part of the said land, comprising an total site area of 103,524.28 sq m, was changed to residential use as follows:

Certificate No.	Issued Date	Location	Site Area (sq m)	Uses	Expiry Date
(2015)1574	25 March 2015	South of Nanerhuan Road	25,377.93	Residential	1 Feb 2084
(2015)1573	25 March 2015	South of Nanerhuan Road	27,394.42	Residential	1 Feb 2084
(2015)1575	3 April 2015	South of Nanerhuan Road	50,751.93	Residential	29 Nov 2083
		Total	**103,524.28**		

(2) According to 3 Land Use Rights Grant Contract and a Transfer Contract, comprising total site area of 327,745.14 sq m have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, the details as followed:

Contract No.	Issued Date	Location	Site Area (sq m)	Land Uses	Plot Ratio	Land Use Term
4690232014B00059	21 January 2014	South of Erhuan Road	53,438.00	Industrial	1.0-1.8	50 years
4690232014B00060	21 January 2014	South of Nanerhuan Road	50,954.00	Industrial	1.0-1.8	50 years
4690232014B00076	21 January 2014	South of Nanerhuan Road	81,853.00	Industrial	1.0-1.8	50 years
Transfer Contract	10 November 2013	South of Nanyihuan Road	141,500.14	Industrial		50 years
		Total	**327,745.14**			

According to 3 Modification Land Use Rights Grant Contract dated 19 December 2014, part of said land was changed to residential use as follows:

Issued Date	Supplemental Land Premium	Site Area (sq m)	Land Uses	Plot Ratio
19 December 2014	RMB57,997,300	50,751.96	Residential	3.0
19 December 2014	RMB30,778,900	27,394.42	Residential	3.0
19 December 2014	RMB28,500,500	25,377.92	Residential	3.0
	Total	**103,524.30**		

(3) According to 7 Planning Permit for Construction Use of Land, the construction site of a parcel of land with a total site area of 327,747.17 sq m complied with urban planning requirements, the details as followed:

Certificate No.	Issued Date	Uses	Construction Scale (sq m)
DZD4690012015018	10 April 2015	Industrial	23,559.72
DZD020	28 March 2014	Industrial	53,438.94
DZD4690012015016	10 April 2015	Industrial	56,475.86
DZD4690012015019	10 April 2015	Industrial	90,748.37
DZD006	2 February 2015	Residential	25,377.93
DZD003	2 February 2015	Residential	27,394.42
DZD005	2 February 2015	Residential	50,751.93
		Total	**327,747.17**

(4) According to Planning Permit for Construction Works No. (2015)CJGJZZ129 dated 22 July 2015, the Property has been permitted for the construction with a total gross floor area of 104,119.15 sq m.

(5) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(6) According to the PRC legal opinion:–

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, the delay in development is due to change of land use; no idle land investigation or determination is received; and is not subject to any penalties (including payment of liquidated damages); and

(iv) The land use rights is not subject to any mortgage.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Modification Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
13.	Portion of Lot B located at north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 25,965.47 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 14 January 2080 for residential use.	As at the valuation date, the Property was occupied by the Administrative Committee of Laocheng Development Zone.	RMB52,000,000 (40% interest attributable to CEC Technology Group: RMB20,800,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010) 1228 dated 2 June 2011, the land use rights of the Property, comprising a total site area of 39,153.91 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology, for a term due to expire on 14 January 2080 for residential use.

The Property with a site area of 25,965.47 sq m is part of the said site area. The discrepancy of site area is due to part of the site area has been used for other development.

(2) According to Land Use Rights Grant Contract No. 210101 dated 11 January 2011:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	39,153.91 sq m
(iv)	Land Use	:	Residential
(v)	Plot Ratio	:	Not more than 1.6
(vi)	Land Premium	:	RMB12,750,000
(vii)	Land Use Term	:	70 years

According to its Alteration of Contracts dated 5 December 2011, portion of the land has changed its land use to commercial use.

The Property is part of the said site area.

(3) According to 2 Government Letters Nos. Chengfuhan 2010 159 and 160, Chengmai County Government will recover the land use right of State-owned land with a total site area 59.731 acre and will offer a piece of land with the same value around Phase I of Hainan RSC.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:–

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, the delay in development is due to change of land use; no idle land investigation or determination is received; and is not subject to any penalties (including payment of liquidated damages); and

(iv) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Government Letter	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
14.	Portion of Lot B located at south of Boyuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises two parcels of land with a total site area of 15,560.39 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to CEC Technology Group, the Property is used for residential use; there is no environmental issues and litigation dispute. The land use rights of the Property have been granted for a term of 50 years due to expire on 20 June 2060 for science and education use and 70 years due to expire on 20 June 2080 for residential use.	The Property was occupied by the local government to develop economical housings and indemnificatory apartments.	RMB47,800,000 (40% interest attributable to CEC Technology Group: RMB19,120,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2013) 1434 dated 25 February 2015, the land use rights of the Property, comprising a total site area of 14,434.50 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, a 40% associate of CEC Technology, for a term due to expire on 20 June 2080 for residential use.

According to Certificate for the Use of State-owned Land No. (2013) 1484 dated 18 November 2013, the land use rights of the Property, comprising a total site area of 7,781.35 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）for a term due to expire on 20 June 2080 for residential use.

As advised, the Property with a total site area of 15,560.39 sq m is part of the said site area. The discrepancy of site area is due to part of the site area has been used for other development.

(2) According to Land Use Rights Grant Contract No. 201022 dated 21 June 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	66,667.04 sq m
(iv)	Land Use	:	Science and education
(v)	Plot Ratio	:	Not more than 1.8
(vi)	Land Premium	:	RMB15,500,001
(vii)	Land Use Term	:	50 years

The Property is part of the said site area.

According to 2 Modification Land Use Rights Grant Contract dated 19 December 2014, part of said land was changed to residential use as follows:

Issued Date	**Supplemental Land Premium**	**Site Area** *(sq m)*	**Land Uses**
29 December 2012	RMB11,792,987	14,434.50	Residential
19 September 2013	RMB 8,621,739	7,781.35	Residential
	Total	**22,215.85**	

(3) According to Planning Permit for Construction Use of Land No. 4690012013196 dated 9 August 2013, the construction site of a parcel of land with a total site area of 7,781.35 sq m complied with urban planning requirements.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:–

(i) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）has obtained the necessary permit, approval and certificate for development and construction;

(iii) According to the Hainan Resort Software Community Investment and Development Co., Ltd.（海南生態軟件園投資發展有限公司）, the delay in development is due to change of land use; no idle land investigation or determination is received; and is not subject to any penalties (including payment of liquidated damages); and

(iv) The land use rights is not subject to any mortgage.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
15.	Three sites of Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	The Property comprises three parcels of land with a total site area of 7,968.99 sq m. According to the information provided by CEC Technology Group, the Property will be developed into an industrial development. The Property is located at north of Taiwan Road and east of Jilin Road in Haicheng District of Beihai. Developments nearby are mainly industrial development. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 22 July 2058 for industrial use.	As at the valuation date, the Property was used as green land and road pending for development.	RMB3,800,000 (100% interest attributable to CEC Technology Group: RMB3,800,000)

Notes:

(1) According to 3 Certificates for the Use of State-owned Land No. (2012)B37759, (2012)B37751 and (2012) B37745 dated 27 July 2012, the land use rights of the Property, comprising a total site area of 7,968.99 sq m, have been granted to CEC Beihai, a wholly-owned subsidiary of CEC Technology, for a term due to expire on 22 July 2058 for industrial use.

(2) According to Land Use Rights Grant Contract No. BGTH (2008)24 dated 21 May 2008:

(i)	Grantee	:	CEC Beihai
(ii)	Location	:	North of Taiwan Road and east of Jilin Road
(iii)	Site Area	:	457,355.20 sq m
(iv)	Land Use	:	Industrial
(v)	Plot Ratio	:	Not less than 1.0 and not more than 2.0
(vi)	Land Premium	:	RMB94,000,000
(vii)	Land Use Term	:	50 years

The Property is part of the said site.

(3) According to Business Licence No. 450500000013590 dated 13 April 2010, CEC Beihai was established as a limited liability company on 16 April 2009 with a registered capital of RMB150,000,000 for a valid operation period from 16 April 2009 to 15 April 2029.

(4) According to the PRC legal opinion:–

(i) CEC Beihai is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

(ii) CEC Beihai is the legal owner of the building and can occupy, use, lease and transfer; and

(iii) The land use rights is not subject to any mortgage.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
16.	A proposed residential development located at the northeast of the junction of Nanzhu Avenue and Taiwan Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	The Property is a proposed residential development erected on a parcel of land with a site area of 300,333.80 sq m. According to the information provided by CEC Technology Group, the Property will be developed into a residential development with a total gross floor area above ground of 750,834.50 sq m. The Property is located at northeast of the junction of Nanzhu Avenue and Taiwan Road in Haicheng District of Beihai. Developments nearby are mainly industrial and residential development. According to CEC Technology Group, the Property is planned mainly for residential use with ancillary science and education use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or to change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 9 December 2059 for residential, science and education use.	As at the valuation date, portion of the Property was a vacant site with an elementary school and some residential buildings pending for demolish. Portion of the Property, with a total gross floor area of 44,762.80 sq m, was under development.	RMB509,821,000 (28.9% interest attributable to CEC Technology Group: RMB147,338,300) (Portion of the Property, a building, with a total gross floor area of 44,762.80 sq m which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works, we have ascribed no commercial value to this portion of the Property. See Note 1 below.)

Notes:

(1) In the course of our valuation, we have ascribed no commercial value to this portion of the Property, a building with a total gross floor area of 44,762.80 sq m, which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works. Had CEC Technology Group obtained a valid Planning Permit for Construction Works and Permit for Commencement of Construction Works, the market value of this portion of the Property in its existing state as at 30 November 2015 would be RMB17,000,000 (28.9% interest attributable to CEC Technology Group: RMB4,913,000).

(2) According to Certificate for the Use of State-owned Land No. (2012) B38931 dated 17 September 2012, the land use rights of the Property, comprising a site area of 300,333.80 sq m, have been granted to Guangxi CEC Future Investment Land Co., Ltd.（廣西中電未來投資置業有限公司）, a 28.9% owned joint venture of CEC Technology, for a term due to expire on 9 December 2059 for residential, science and education use.

(3) According to Land Use Rights Grant Contract No. 2009023 dated 9 November 2009:

(i)	Grantee	:	CEC Beihai（中電北海）
(ii)	Location	:	East of Nanzhu Avenue and north of Taiwan Road
(iii)	Site Area	:	300,333.80 sq m (295,333.80 sq m for residential use and 5,000 sq m for science and education use)
(iv)	Land Use	:	Residential, science and education
(v)	Plot Ratio	:	Not more than 2.5
(vi)	Land Premium	:	RMB131,210,420
(vii)	Land Use Term	:	50 years

(4) According to Planning Permit for Construction Use of Land No. 450501201200115 dated 19 July 2012, the construction site of the Property with a site area of 300,333.80 sq m complied with urban planning requirements.

(5) We noted that the portion of the Property, a building, with a total gross floor area of 44,762.80 sq m which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works, we are on the assumption that all relevant permits will be issued in due course and the related fees incurred have been fully paid and settled. According to the information, a construction cost of RMB17,000,000 has been expended for the said portion of the Property as at 30 November 2015.

(6) According to Business Licence No. 450500000014700(1-1) dated 17 December 2012, Guangxi CEC Future Investment Land Co., Ltd.（廣西中電未來投資置業有限公司）was established as a limited liability company on 28 December 2011 with a registered capital of RMB200,000,000 for a valid operation period from 28 December 2011 to 28 December 2031.

(7) According to the PRC legal opinion:–

(i) Guangxi CEC Future Investment Land Co., Ltd.（廣西中電未來投資置業有限公司）is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government; and

(ii) The land use rights and construction are not subject to any mortgage.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
17.	Block 1 to 5 of Phase 1 of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property is a composite development erected on a parcel of land with a total site area of 14,720.00 sq m which is scheduled to be completed in June 2016. According to the information provided by CEC Technology Group, the Property comprises five office buildings and underground carpark with a total gross floor area of 43,458.24 sq m. The Property is located at Cao Tan Ecological Zone of Xi'an Economic & Technological Development Zone. Developments nearby are mainly industrial, office and residential development. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 21 Oct 2062 for industrial use.	As at the valuation date, the Property was under construction and scheduled to be completed in June 2016.	RMB131,000,000 (73.91% interest attributable to CEC Technology Group: RMB96,822,100)

Notes:

(1) According to Certificate for the Use of State-owned Land Xi Jing Guo Yong (2012chu) No.056 dated 20 December 2012, the land use rights of the Property, comprising a total site area of 80,749.84 sq m, have been granted to China Electronics Xi'an Industrial Park Development Co., Ltd.（中國電子西安產業園發展有限公司）("CEC Xi'an"), a 73.91% subsidiary of CEC Technology, for a term due to expire on 21 Oct 2062 for industrial use.

The Property is part of the said site area.

(2) According to 2 Land Use Rights Grant Contract, comprising a total site area of 134,537.96 sq m have been granted to CEC Xi'an, the details as followed:

Contract No.	**Issued Date**	**Location**	**Site Area** *(sq m)*	**Land Uses**
XJKRZ (2012) No. 033	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	80,749.84	Industrial
XJKRZ (2012) No. 034	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	53,788.12	Industrial
		Total	**134,537.96**	

(3) According to Planning Permit for Construction Use of Land Xi Jing Kai (2011) No.07 dated 17 June 2011, the construction site of the Property with a site area of 158.297 mu (equivalent to 105,584.00 sq m) complied with urban planning requirements.

The Property is part of the said site area.

(4) According to Planning Permit for Construction Works Xi Jing Kai (2013) No. 032 dated 20 June 2013, the construction works of the Property complied with urban planning requirements and was permitted to be developed with a total gross floor area of 43,165.00 sq m.

(5) According to Permit for Commencement of Construction Works Xi Jing Kai (2013) No. 041 dated 19 December 2013, the construction works of the Property complied with the requirement of work commencement and was permitted to be developed with a total gross floor area of 43,165.00 sq m.

(6) As advised by CEC Technology Group, as at the valuation date, office portion with a total gross floor area of 6,723.46 sq m was pre-sold at a total consideration of RMB28,910,878. In the course of our valuation, we have taken into account the above said consideration.

(7) According to the information provided by CEC Technology Group, the estimated total construction cost to complete the Property is approximately RMB138,000,000; a construction cost of RMB122,000,000 has been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the said construction costs.

(8) The Estimated Market Value as if completed of the Property as at 30 November 2015 was RMB170,000,000.

(9) According to Business Licence No. 610132100019431 dated 16 September 2014, CEC Xi'an was established as a limited liability company on 12 November 2010 with a registered capital of RMB103,500,000 for a long term valid operation period.

(10) According to the PRC legal opinion: –

(i) CEC Xi'an has fully settled the land grant fee and obtained the Certificate for the Use of State-owned Land. It is the legal owner of the land and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) CEC Xi'an has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
18.	Block 9 of Phase 2 of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property is an industrial development erected on a parcel of land with a total site area of 9,156.00 sq m, which is targeted to be completed in December 2015. According to the information provided by CEC Technology Group, the Property comprises a Training Centre with a total gross floor area of 7,823.00 sq m. The Property is located at Cao Tan Ecological Zone of Xi'an Economic & Technological Development Zone. Developments nearby are mainly industrial, office and residential development. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 30 October 2062 for industrial use.	As at the valuation date, the Property was under construction and scheduled to be completed in December 2015. The Property is subject a ten-year tenancy, to commence in hand over date, with an annual rental income of RMB11,000,000.	RMB146,000,000 (73.91% interest attributable to CEC Technology Group: RMB107,908,600)

Notes:

(1) According to Certificate for the Use of State-owned Land Xi Jing Guo Yong (2013 chu) No.038 dated 19 July 2013, the land use rights of the Property, comprising a total site area of 53,788.12 sq m, have been granted to CEC Xi'an, a 73.91% subsidiary of CEC Technology, for a term due to expire on 30 Oct 2062 for industrial use.

The Property is part of the said site area.

(2) According to Planning Permit for Construction Use of Land Xi Jing Kai (2011) No.07 dated 17 June 2011, the construction site of the Property with a site area of 158.297 mu (equivalent to 105,584.00 sq m) complied with urban planning requirements.

(3) According to Planning Permit for Construction Works Xi Jing Kai (2014) No. 055 dated 4 December 2014, the construction works of the Property complied with urban planning requirements and was permitted to be developed with a total gross floor area of 7,823.00 sq m.

(4) According to Permit for Commencement of Construction Works No. 610131201505060000 dated 6 May 2015, the construction works of the Property complied with the requirement of work commencement and was permitted to be developed with a total gross floor area of 7,823.00 sq m.

(5) According to the information provided by CEC Technology Group, the estimated total construction cost to complete the Property is approximately RMB68,000,000; a construction cost of RMB67,000,000 has been expended for the said of portion of the Property as at 30 November 2015. In the course of our valuation, we have taken into account the above expended construction costs.

(6) The Estimated Market Value as if completed of the Property as at 30 November 2015 was RMB158,000,000.

(7) According to Business Licence No. 610132100019431 dated 16 September 2014, CEC Xi'an was established as a limited liability company on 12 November 2010 with a registered capital of RMB103,500,000 for a long term valid operation period.

(8) According to the PRC legal opinion: –

(i) CEC Xi'an has fully settled the land grant fee and obtained the Certificate for the Use of State-owned Land. It is the legal owner of the land and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) CEC Xi'an has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2015
19.	The remain vacant land of Xi'an Industrial Park, Cao Tan Tenth Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property comprises 2 parcels of land with a total site area of 110,661.96 sq m. The Property is located at Cao Tan Ecological Zone of Xi'an Economic & Technological Development Zone. Developments nearby are mainly industrial, office and residential developments. According to CEC Technology Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for various terms. Detail of land use rights, please see Note (1).	As at the valuation date, the Property was developed initially with few construction cost.	RMB65,000,000 (73.91% interest attributable to CEC Technology Group: RMB48,041,500)

Notes:

(1) According to 2 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a total site area of 134,537.96 sq m, have been granted to CEC Xi'an（中電西安）, a 73.91% subsidiary of CEC Technology:

Certificate No.	Site Area *(sq m)*	Land Uses	Expiry Date	Issued Date
Xi Jing Guo Yong (2012 chu) No.056	80,749.84	Industrial	21 October 2062	20 December 2012
Xi Jing Guo Yong (2013 chu) No.038	53,788.12	Industrial	30 October 2062	19 July 2013
Total	**134,537.96**			

As advised, the Property with a total site area of 110,661.96 sq m is part of the said site area. The discrepancy of site area is due to part of the site area has been used for other development.

(2) According to 2 Land Use Rights Grant Contract, comprising a total site area of 134,537.96 sq m have been granted to CEC Xi'an, the details as followed:

Contract No.	Issued Date	Location	Site Area *(sq m)*	Land Uses
XJKRZ (2012) No. 033	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	80,749.84	Industrial
XJKRZ (2012) No. 034	22 October 2012	Cao Tan Tenth Road west, Shang Ji Road north	53,788.12	Industrial
		Total	**134,537.96**	

The Property is part of the said site area.

(3) According to Business Licence No. 610132100019431 dated 16 September 2014, CEC Xi'an（中電西安）was established as a limited liability company on 12 November 2010 with a registered capital of RMB103,500,000 for a long term valid operation period.

(4) According to the PRC legal opinion: –

(i) CEC Xi'an has fully settled the land grant fee and obtained the Certificate for the Use of State-owned Land. It is the legal owner of the land and can occupy, use, lease, transfer, mortgage or handle the land in other legal way;

(ii) CEC Xi'an has obtained the necessary permit, approval and certificate for development and construction; and

(iii) The land use rights and construction are not subject to any mortgage.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by CEC Technology Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Business Licence	Yes

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and the OVU Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, Mr. Dong Haoran, a non-executive Director and the Chairman of the Board, has interests in 4,672,420 shares of the Company. Mr. Jiang Juncheng, a non-executive Director, has interests in 1,139,420 shares of the Company. Save as disclosed herein, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Mr. Dong Haoran, a non-executive Director and the Chairman of the Board, is a director and the general manager of Huada Semiconductor and a director of China Electronics Corporation (BVI) Holdings Company Limited ("CEC (BVI)"). Mr. Ma Yuchuan, an executive Director and the Vice Chairman of the Board, is a deputy general manager of Huada Semiconductor and a director of CEC (BVI). Mr. Liu Hongzhou, an executive Director and the Managing Director of the Company, is a director of CEC (BVI). Mr. Jiang Juncheng, a non-executive Director, is the chief accountant of Huada Semiconductor. Details of the shareholding of Huada Semiconductor and CEC (BVI) in the Company are set out in the paragraph headed "Substantial Shareholders" in this appendix. Save as disclosed herein, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

Since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had, or were deemed to have, interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number or attributable number of shares interested	Approximate percentage or attributable percentage of total issued share capital of the Company
CEC (BVI)	812,500,000	40.03%
Huada Semiconductor *(Note 1)*	1,206,180,000	59.42%
CEC *(Note 2)*	1,206,180,000	59.42%

All the interests disclosed above represent long position in the shares of the Company.

Notes:

(1) Huada Semiconductor holds 100% equity interest in CEC (BVI). Huada Semiconductor is deemed to be interested in the 812,500,000 shares of the Company held by CEC (BVI).

(2) CEC holds 100% equity interest in Huada Semiconductor and is deemed to be interested in the shares of the Company held by Huada Semiconductor.

Save as disclosed above, there is no person known to the Directors or the chief executive of the Company who, as at the Latest Practicable Date, had, or was deemed to have, an interest or short position in the shares or the underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any option in respect of such capital.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

EXPERTS AND CONSENTS

The following are the qualifications of the experts whose name and/or reports are contained in this circular:

Name	Qualification
DTZ	Property valuer
Messis Capital	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

Each of DTZ, Messis Capital and PricewaterhouseCoopers (collectively the "Experts") has given and has not withdrawn its written consent to the issue of this circular with the inclusion of, where applicable, its report(s) and/or references to its name in the form and context in which they respectively appear.

Each of the Experts was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

Since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, each of the Experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

COMPETING INTEREST

Mr. Dong Haoran, a non-executive Director and the Chairman of the Board, is a director of Huada Semiconductor and a director of China Integrated Circuit Design Corp., Ltd ("China Huada"). Mr. Ma Yuchuan, an executive Director and the Vice Chairman of the Board, is a director of Shanghai Belling Co., Ltd, a director of CEC Huahong International Co., Ltd and a director of Chengdu Sino Microelectronics Technology Co., Ltd. Mr. Jiang Juncheng, a non-executive Director, is the chairman of the supervisory committee of Shanghai Belling Co., Ltd.

Currently, Huada Semiconductor, China Huada, Shanghai Belling Co., Ltd, CEC Huahong International Co., Ltd and Chengdu Sino Microelectronics Technology Co., Ltd have subsidiaries or associates engaging in integrated circuits related businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

The abovementioned competing businesses are operated and managed by independent management and administration. The Board exercises independent judgment and is always acting in the interests of the Company and the Shareholders as a whole. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the competing businesses mentioned above.

Apart from the above, none of the Directors nor his associates is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular, and are or may be material:

(a) the entrustment agreement dated 24 July 2014 entered into between CEC Technology and CEC Finance in relation to the provision of an entrusted loan of RMB400 million by CEC Technology to Hainan Resort Software Community Investment and Development Co., Ltd, the details of which can be referred to in the announcement of the Company dated 24 July 2014;

(b) the placing agreement dated 17 September 2014 entered into between the Company and Shenyin Wanguo Securities (H.K.) Limited for the placing of up to 338,312,000 shares of the Company at a placing price of HK$1.63 per share, the details of which can be referred to in the announcement of the Company dated 17 September 2014;

(c) the construction agreement dated 30 December 2014 and entered into between Huada Electronics and CS&S Information System Engineering Co., Ltd whereby Huada Electronics has appointed CS&S Information System Engineering Co., Ltd to undertake weak current engineering work of a property located in the PRC for RMB17,540,000, the details of which can be referred to in the announcement of the Company dated 30 December 2014;

(d) the equity transfer agreement dated 26 June 2015 entered into between Huada Electronics and Huada Semiconductor in relation to the acquisition of a 73.43% equity interest in Huahong by Huada Electronics for a consideration of RMB550.7 million, the details of which can be referred to in the announcement of the Company dated 28 June 2015;

(e) the equity transfer agreement(s) dated 26 June 2015 entered into between Huada Electronics and the director and/or employees of Huahong (the "Individual Vendor(s)") in relation to the acquisition of an aggregate of 9.95% equity interest in Huahong by Huada Electronics for an aggregate consideration of RMB74.6 million, the details of which can be referred to in the announcement of the Company dated 28 June 2015;

(f) the equity transfer agreement dated 27 August 2015 entered into between Huada Electronics and Shanghai Huahong (Group) Co., Ltd（上海華虹（集團）有限公司） in relation to the acquisition of a 7.62% equity interest in Huahong by Huada Electronics for a consideration of RMB57.1 million, the details of which can be referred to in the announcement of the Company dated 27 August 2015; and

(g) the equity transfer agreement(s) dated 27 August 2015 entered into between Huada Electronics and the Individual Vendor(s) in relation to the acquisition of an aggregate of 4.64% equity interest in Huahong by Huada Electronics for an aggregate consideration of RMB34.9 million, the details of which can be referred to in the announcement of the Company dated 27 August 2015.

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

MISCELLANEOUS

(a) The company secretary of the Company is Mr. Ng Kui Kwan. Mr. Ng is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is at Room 3403, 34th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(c) Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, is at Level 22, Hopewell Centre,183 Queen's Road East,Wanchai,Hong Kong.

(d) The English text of this circular and form of proxy shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Room 3403, 34th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to the holding of the SGM:

(a) the bye-laws of the Company;

(b) the material contracts referred to under the section headed "Material contracts" in this appendix;

(c) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(d) the property valuation report on the property interests of the CEC Technology Group prepared by DTZ, the text of which are set out in Appendix IV to this circular;

(e) the written consents referred to under the section headed "Experts and consents" in this appendix;

(f) the annual reports of the Company for the financial years ended 31 December 2013 and 2014;

(g) circulars issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued by the Company since the date of the latest published audited consolidated accounts of the Group; and

(h) this circular.

CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED
中國電子集團控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00085)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "Meeting") of China Electronics Corporation Holdings Company Limited (the "Company") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 11 March 2016 at 4:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

1. "**THAT** the equity interest transfer agreement dated 14 December 2015 and entered into between the Company as vendor and Optics Valley Union Holding Company Limited and AAA Finance & Investment Limited as purchasers (the "Equity Interest Transfer Agreement", details of which are set out in the circular of the Company dated 19 February 2016), in respect of the sale and purchase of the 100% equity interest in China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司), at a consideration of RMB699,854,600, be and is hereby approved, and any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company which he considers necessary or expedient to give effect to the Equity Interest Transfer Agreement and the transactions contemplated thereunder."

2. "**THAT** the subscription agreement dated 14 December 2015 and entered into between the Company as subscriber and Optics Valley Union Holding Company Limited ("OVU") as issuer (the "CECH Subscription Agreement", details of which are set out in the circular of the Company dated 19 February 2016), in respect of the subscription of 1,491,469,917 new ordinary shares of HK$0.10 each in the share capital of OVU ("OVU Share"), credited as fully paid, at the price of HK$0.8 per OVU Share by the Company at a consideration of HK$1,193,175,933.6, be and is hereby approved, and any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company which he considers necessary or expedient to give effect to the CECH Subscription Agreement and the transactions contemplated thereunder."

* *For identification purpose only*

3. "**THAT** Mr. Ma Yuchuan be re-elected as a director of the Company."

4. "**THAT** Mr. Jiang Juncheng be re-elected as a director of the Company."

By Order of the Board
China Electronics Corporation Holdings Company Limited
Ng Kui Kwan
Company Secretary

Hong Kong, 19 February 2016

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 3403, 34th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. The register of members of the Company will be closed from 9 March 2016 to 11 March 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Meeting, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 March 2016.

2. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a shareholder of the Company but must be present in person at the Meeting to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the Meeting or any adjournment thereof, should he so wish.

4. In the case of joint registered holders of any shares, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect thereof.