



中电光谷  
CEC OPTICS VALLEY

# 中電光谷聯合控股有限公司

## China Electronics Optics Valley Union Holding Company Limited

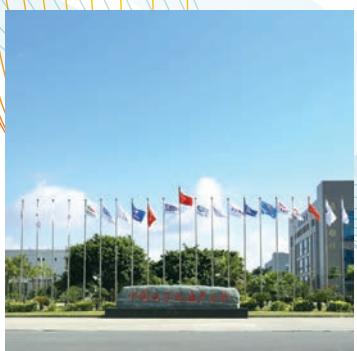
(formerly known as Optics Valley Union Holding Company limited 光谷聯合控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 798



## 2016 Annual Report







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# Corporate Information

## Company Name

China Electronics Optics Valley Union Holding Company Limited

## Place of Listing of Shares

The Stock Exchange of Hong Kong Limited

## Stock Code

798

## Stock Name

CEOVU

## Board of Directors

### Executive Directors

Mr. Huang Liping (*Chairman and President*)

Mr. Hu Bin (*Executive President*)

Ms. Chen Huifen (*resigned as executive Director on 29 December 2016*)

### Non-executive Directors

Mr. Lu Jun

Ms. Shu Chunping (*resigned as non-executive Director on 29 December 2016*)

Mr. Zhang Jie

Ms. Wang Qiuju (*appointed as non-executive Director on 29 December 2016*)

Mr. Xiang Qunxiong (*appointed as non-executive Director on 29 December 2016*)

### Independent Non-executive Directors

Mr. Qi Min

Mr. Leung Man Kit

Ms. Zhang Shuqin

## Joint Company Secretaries

Ms. Zhang Xuelian

Ms. Leung Ching Ching

## Authorized Representatives

Mr. Huang Liping

Ms. Leung Ching Ching

## Audit Committee

Mr. Leung Man Kit (*Chairman*)

Ms. Shu Chunping (*ceased as member of the Audit Committee on 29 December 2016*)

Mr. Qi Min

Ms. Wang Qiuju (*appointed as member of the Audit Committee on 29 December 2016*)

## Remuneration Committee

Mr. Qi Min (*Chairman*)

Mr. Hu Bin

Ms. Zhang Shuqin

Mr. Leung Man Kit

Ms. Shu Chunping (*ceased as member of the Remuneration Committee on 29 December 2016*)

## Nomination Committee

Mr. Huang Liping (*Chairman*)

Mr. Qi Min

Ms. Zhang Shuqin

## Financial Control Committee

Mr. Huang Liping

Mr. Wang Yuancheng

Ms. Huang Min

## Registered Office

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

## Corporate Information (Continued)

### Headquarters and Principal Place of Business in the PRC

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

### Principal Place of Business in Hong Kong (Note)

Unit 2197A, 21st Floor  
The Center  
No. 99 Queen's Road Central  
Hong Kong

### Legal Advisors

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

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

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

### Auditor

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

### Cayman Islands Share Registrar and Transfer Office

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

### Hong Kong Share Registrar

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

### Principal Banks

Hankou Bank  
Bank of Communications  
Industrial and Commercial Bank of China

### Company Website

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

Note: The principal place of business in Hong Kong has been changed from Unit 2902, 29th Floor, China Insurance Group Building, No. 141 Des Voeux Road Central, Hong Kong to Room 2197A, 21st Floor, The Center, No. 99 Queen's Road Central, Hong Kong since 1 March 2017

# Financial Summary

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

		Year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	
<b>Results</b>						
<b>Revenue from continuing operations</b>	<b>2,594,701</b>	1,903,840	1,928,948	1,966,348	1,812,014	
<b>Gross profit</b>	<b>811,623</b>	592,006	682,661	712,190	576,636	
<b>Profit before income tax</b>	<b>761,025</b>	748,028	632,018	593,781	447,058	
<b>Profit attributable to owners of the Company</b>	<b>431,925</b>	499,886	415,190	320,869	277,701	
<b>Profit attributable to non-controlling interests</b>	<b>37,570</b>	4,704	5,128	17,685	66,425	
<b>Profit for the year</b>	<b>469,495</b>	504,590	420,318	338,554	277,701	
<b>As of 31 December</b>						
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	
<b>Assets and liabilities</b>						
Non-current assets	<b>3,555,100</b>	1,635,447	1,054,621	724,787	585,455	
Current assets	<b>8,023,019</b>	7,257,981	7,078,420	6,358,684	4,963,036	
Current liabilities	<b>3,582,159</b>	4,081,165	3,659,076	3,665,116	3,376,670	
Net current assets	<b>4,440,860</b>	3,176,816	3,419,344	2,693,568	1,586,366	
<b>Total assets less current liabilities</b>	<b>7,995,960</b>	4,812,263	4,473,965	3,418,355	2,171,821	
<b>Total equity</b>	<b>6,082,916</b>	3,052,260	2,585,039	1,665,116	1,388,367	
Non-current liabilities	<b>1,913,044</b>	1,760,003	1,888,926	1,753,239	783,454	
<b>Total equity and non-current liabilities</b>	<b>7,995,960</b>	4,812,263	4,473,965	3,418,335	2,171,821	

Note: Figures for the year ended 31 December 2012 were extracted from the Prospectus.

# Chairman's Statement



Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2016.

In a global economy plagued with risks, the Chinese government kicked off the "13th Five-Year" plan on a positive note by rolling out a series of important strategic measures such as innovation and entrepreneurship, "One-Belt, One-Road" as well as strenuous promotion of PPP model and government purchase under the keynote of supply-side structural reform. The ongoing systematic reform and policy innovation also generate impetus for China's economic development in the new generation and offer new opportunities for China's economic and social development.

This is the same for Optics Valley Union Holding Company Limited ("OVU"). In 2016, Ovu completed a strategic asset reorganization with China Electronics Corporation, and accordingly we changed our name to "China Electronics Optics Valley Union Holding Company Limited" ("CEOVU"), upon which, we became the sole industrial park operation and development platform of China Electronics Corporation. As at 31 December 2016, the industrial park development and operation business of the Group has penetrated into 15 major cities, namely Qingdao, Wuhan, Hefei, Xi'an, Chengdu, etc., and 7 of which are rated as the central cities of China, realizing our nation-wide business layout.

## Chairman's Statement (Continued)

In 2016, we embarked on business structure optimization and strategic transformation and achieved real progress in the past two years. Since the businesses under transformation are getting on track, it is necessary to depict the direction of corporate strategic development and business transformation more clearly through adjusting income segments in order to gradually realize a diversified profit model centering on the advantages generated from industrial park development and operation. There is a substantial increase in the operating income, and our business structure is becoming increasingly mature. In 2016, revenue from our main business was RMB2,594.7 million, representing a growth of 36.3% as compared to 2015. Among which, park development business accounted for 79.2%, construction and management services accounted for 6.5%, while park operation services accounted for 14.3%. We have established a comprehensive system for enterprises stationed in our parks, providing them with development and operation services covering the whole life cycle and whole industry chain. New business segments such as smart city, innovation and entrepreneurship service and EPC integrated design and construction service, industrial investment have great potential to support our profit growth and business expansion in the upcoming future. CEOVU, working in a prudent and solid manner, is leading the Group towards a glorious future.

Looking forward, the global and the PRC economy will undergo further adjustments in 2017. We are of the view that during this round of adjustment, industrial enterprises with strong and sound performance would become bigger and stronger, while middle and small enterprises possessing new technology and business model would definitely emerge as unexpected front-runners in the market. After making strategic layouts for 2 years, CEOVU has succeeded in taking a leading position in the construction of an industrial Internet ecology system and the operation of business parks. In 2017, we will continue to improve our capability in integrating our resources in the areas of innovation and entrepreneurship services, smart city and enterprise related services; we will target at constructing industrial Internet ecology systems with a provision of services covering the entire life cycle of our business parks. With respect to business park developments, as the only business park development platform of China Electronics Information Corporation, we will mainly focus our quality resources on four industrial themes, namely health and medical big data, integrated circuit, civil-military integration and intelligent manufacturing, especially in Qingdao, Hefei, Wuhan, Chengdu, Xi'an and Ezhou, which we expect to achieve substantial development.

As the saying goes, good luck always favors those who act under the principle of moralism. In relation to an enterprise, moralism may refer to its obligation of assuming social responsibility, creating social value and realizing sustainable development. Satisfying these obligations is our unwavering target. We believe that the Company will embrace a better future built by the hard work from all our staff and the continuous support from all Shareholders.

**China Electronics Optics Valley Union Holding Company Limited**

**HUANG Liping**

*Chairman of the Board*

23 March 2017

# Management Discussion and Analysis

## Overall Performance

- Revenue of the Group increased by 36.3% to RMB2,594.7 million in 2016 from RMB1,903.8 million in 2015.
- Profit attributable to owners of the Company decreased by 13.6% to RMB431.9 million in 2016 from RMB499.9 million in 2015. Core net profit of the Group (excluding post-tax fair value gains on investment properties) was approximately RMB334.8 million, representing an increase of 36.5% as compared to the same period of 2015.
- Newly completed area and the actual delivered area of the Group amounted to 562,000 sq.m. and 284,000 sq.m. in 2016, respectively.
- As of the end of 2016, total land bank of the Group amounted to 5,344,000 sq.m., which meets the development requirements for at least the next five years.
- As of the end of 2016, total equity attributable to owners of the Company amounted to RMB5,691.4 million, representing an increase of 105.8% compared to the same period of 2015.
- The Group recorded gross profit margin of 31.3% in 2016, increased by 0.2 percentage points as compared to the overall gross profit margin of 31.1% in 2015.

**Growth in total equity attributable to owners of the Company during 2014 to 2016 (RMB million)**



**Growth in profit attributable to owners of the Company during 2014 to 2016 (RMB million)**



# Management Discussion and Analysis (Continued)

## Business Review

As at 31 December 2016, the Group, being a leading development and operation services enterprise in themed business parks in China, developed or operated various industrial parks in 15 cities, including Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Chengdu, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Tianjin, Dongying and Loyang. The Group's business mainly consists of 4 parts: industrial park development business (including development and sales of industrial parks, development and sales of ancillary residential properties and lease of self-owned park properties), construction and management services (including governmental procurement services, PPP service, EPC integrated design and construction service, project management and consultation services), industrial park operation services (including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, innovation and investment service, real estate marketing and agency, group catering, hotel, human resources and training for industrial parks as well as financial services for industrial parks), and industrial investment (industrial-related strategic investments in various themed parks).

## Revenue by Business Segments

	Years ended 31 December			
	2016		2015	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Industrial Park Development	<b>2,053,945</b>		1,573,791	
Sales of Industrial Park Properties	<b>1,463,163</b>	<b>56.4</b>	843,867	44.3
Sales of Ancillary Residential Properties	<b>507,011</b>	<b>19.5</b>	689,070	36.2
Self-owned Industrial Park Properties Leasing	<b>83,771</b>	<b>3.3</b>	40,854	2.1
Construction and Management Services	<b>169,468</b>	<b>6.5</b>	82,801	4.4
Industrial Park Operation Services	<b>371,288</b>		247,248	
Property Management Service	<b>239,478</b>	<b>9.2</b>	159,143	8.4
District Heating and Cooling Service	<b>53,668</b>	<b>2.1</b>	47,683	2.5
Others	<b>78,142</b>	<b>3.0</b>	40,422	2.1
Total	<b>2,594,701</b>	<b>100.0</b>	1,903,840	100.0

## Industrial Park Development Business

In 2016, the income from the industrial park development business of the Group was RMB2,053.9 million, representing a growth of 30.5% as compared to 2015. Among which, the sales income from industrial park properties was RMB1,463.1 million, representing a growth of 73.4%, with a booked sales area of 242,000 sq.m., representing an increase of 65.6% as compared to the same period last year, which is mainly attributable to the sales of Hefei Financial Harbour Project. Ancillary residential properties achieved a sales income of RMB507.0 million, the income slightly dropped, while the unit price increased by 12.8% as compared to last year, which is mainly attributable to the huge demand in the Wuhan housing market in 2016 and an overall rise in the unit price. Industrial park lease income amounted to RMB83.8 million, representing a growth of 105.0%, with a lease area of 397,000 sq.m. and occupancy rate of over 80.0%.

# Management Discussion and Analysis (Continued)

## Industrial Park Development Business

### Sales of Self-owned Industrial Park

In 2016, the income from self-owned industrial park development business was mainly generated from Hefei, Wuhan, Qingdao, Shenyang and Ezhou, among which, the sales income from Hefei project reached RMB615.6 million, accounting for 42.1% of the income from sales of industrial park properties. The sales income from Shenyang project was RMB103.6 million, accounting for 7.1% of the income from sales of industrial park properties. Excluding the project in Wuhan, the proportion of sales from projects in other cities has reached 57.9%, surpassing our business in Wuhan for the first time. This demonstrated that the sales of industrial park properties business is well received by our clients in other major cities throughout the nation.

During the Reporting Period, the newly added projects of CEOVU, namely Xi'an CEC Information Harbour, Beihai CEC Information Harbour, Wenzhou CEC Information Harbour and Hainan Software Park, were accounted for as projects for sale. Being the leading projects in their respective local markets, these projects are adjusting their positioning.

We are of the view that, during the Reporting Period, the growth in the sales income from industrial park properties is mainly attributable to the following reasons: (1) overall rising trend in the domestic real estate markets in first and second tier cities; (2) recognition from our clients to the location, design and construction standard of the industrial properties provided by the Group; (3) the flexible and appropriate business solicitation strategies adopted by the Group in line with the demands of our customers.

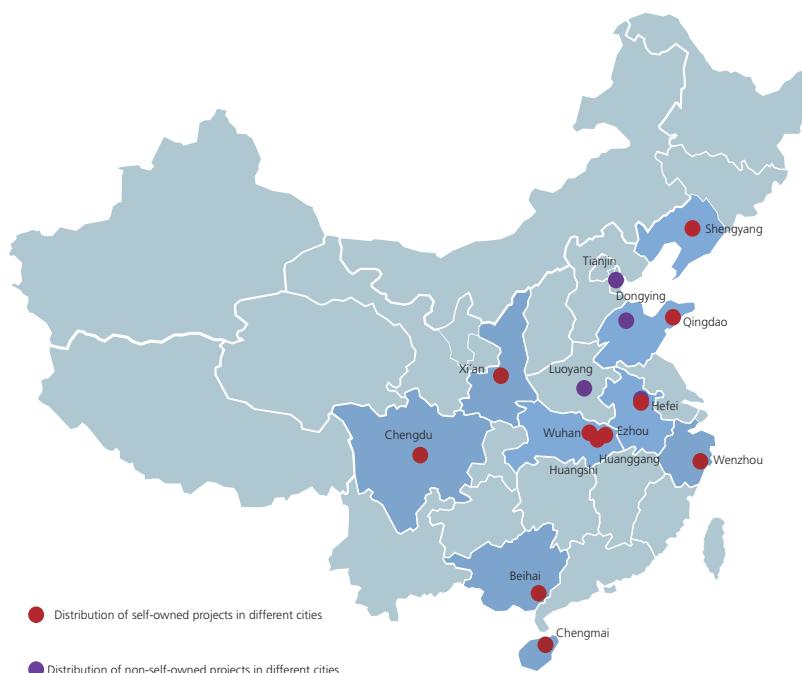
### Summary regarding the sales of properties

City and Project	Contracted Amount (RMB'000)		Contracted Area (sq.m.)	
	2016	2015	2016	2015
Wuhan Creative Capital	<b>575,460</b>	194,490	<b>60,500</b>	20,800
Wuhan Financial Harbour (Phase II)	<b>126,380</b>	81,940	<b>13,900</b>	10,800
Wuhan Innocenter	<b>41,580</b>	4,500	<b>5,800</b>	600
Wuhan Lido 2046	<b>384,590</b>	642,360	<b>29,500</b>	58,300
Hefei Financial Harbour	<b>632,020</b>	181,100	<b>81,300</b>	23,400
Shenyang OVV Science and Technology City	<b>92,450</b>	91,510	<b>30,900</b>	31,000
Qingdao OVV International Marine Information Harbour	<b>278,030</b>	172,410	<b>41,700</b>	26,000
Ezhou OVV Science and Technology City	<b>121,140</b>	107,620	<b>35,100</b>	34,500
Huanggang OVV Science and Technology City	<b>20,710</b>	—	<b>7,600</b>	—
Huangshi OVV Science and Technology City	<b>4,970</b>	26,620	<b>1,000</b>	6,000
Lido Top View	<b>5,150</b>	—	<b>500</b>	—
Others		20,850		2,300
Total	<b>2,282,480</b>	1,523,400	<b>307,800</b>	213,700

## Management Discussion and Analysis (Continued)

### Development and Progress of Industrial Park Properties

Due to the in-depth adjustment of industrial structure in China, timely adjustments will be made to the development strategies for different cities and different themed industrial parks. In general, during the Reporting Period, the total area of new development in industrial parks was 241,000 sq.m., increasing by 369.7% as compared to 51,000 sq.m. in 2015. Completed construction area amounted to 562,000 sq.m., increasing by 39.5% as compared to 403,000 sq.m. in 2015. As at the end of 2016, the total area under construction was approximately 426,000 sq.m.



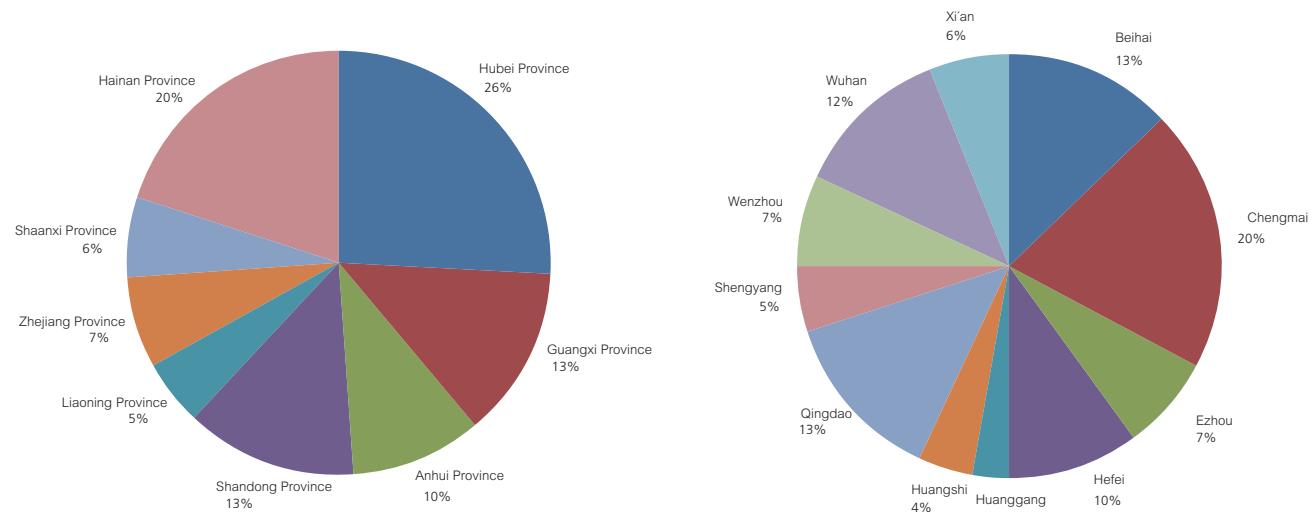
### Completed Area in Major Cities throughout the Nation

City	Project Name	Completed area in 2016 ('000 sq.m.)
Wuhan	Creative Capital	209
Hefei	Hefei Financial Harbour	321
Ezhou	Ezhou OVU Science and Technology City	32
Total		562

## Management Discussion and Analysis (Continued)

### Land Bank

During the Reporting Period, the Group obtained the land for the Shenyang CEC Information Harbour Project in Shenyang City, Liaoning Province with an area of 125,000 sq.m. through listing-for sale. We obtained land that can be developed with a gross floor area of 2,813,000 sq.m. for CEC Information Harbor Projects in Xi'an, Beihai, Hainan Chengmai and Wenzhou through the acquisition of 100% equity interests in CEC Technology. As a result, the high quality land bank of the Group was 5,344,000 sq.m., distributed in 11 cities, namely Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang and Chengmai (Hainan). The total land bank area safeguards the industrial park development and sales business in the upcoming five to ten years.



### Land bank

No.	Project	City	Location	Usage	Interest Attributed to the Group	Land Bank (sq.m.)
1	Optics Valley Software Park (光谷軟件園)	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	54,425
2	Financial Harbour (phase1) (金融港一期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
3	Financial Harbour (Phase II) (金融港二期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	32,052
4	Creative Capital (創意天地)	Wuhan	16 Yezihihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	295,824
5	Wuhan Innocenter (武漢研創中心)	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	203,707

## Management Discussion and Analysis (Continued)

No.	Project	City	Location	Usage	Interest Attributed to the Group	
					Land Bank (sq.m)	
6	Romantic Town (麗島漫城)	Wuhan	46 Guanggu Avenue, Wuhan, Hubei Province	Residential	51%	2,849
7	Lido Mason (麗島美生)	Wuhan	No. 318 Minzu Avenue, Wuhan, Hubei Province	Residential	50%	1,282
8	Lido 2046 (麗島2046)	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	19,539
9	Others	Wuhan	N/A	Residential	100%	14,004
10	Qingdao OVV International Marine Information Harbour (青島光谷國際海洋信息港)	Qingdao	396 Emeishan Road, Qingdao, Shandong Province	Industrial	100%	348,692
11	Qingdao Innocenter (青島研創中心)	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential/ Industrial	100%	136,380
12	Qingdao Marine & Science Park (青島海洋科技園)	Qingdao	South of Changjiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	Industrial	100%	197,050
13	Huanggang OVV Science and Technology City (黃岡光谷聯合科技城)	Huanggang	Junction of Zhonghuan Road and Xingang North Road, Huangzhou district, Huanggang City, Hubei Province	Industrial	70%	155,334
14	Shenyang OVV Science and Technology City (瀋陽光谷聯合科技城)	Shenyang	Intersection of Sheng Jing Da Jie and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	134,965
15	Shenyang CEOVV Information Harbour (瀋陽中電光谷信息港)	Shenyang	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	109,528

## Management Discussion and Analysis (Continued)

No.	Project	City	Location	Usage	Attributed to the Group	Land Bank (sq.m)
16	Ezhou OVV Science and Technology City (鄂州光谷聯合科技城)	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	362,066
17	Huangshi OVV Science and Technology City (黃石聯合科技城)	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	181,952
18	Lido Top View (麗都半山華府)	Huangshi	76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	17,651
19	Hefei Financial Harbour (合肥金融港)	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	80%	525,628
20	Hainan Resort Software Community (海南生態軟件園)	Chengmai	Southern section situated 0.7km of the Eastern Extension of Nan Yu Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	Industrial/ Commercial/ Residential/ Science and Education	40%	1,089,439
21	Beihai Industrial Park (北海產業園)	Beihai	West of Beihai Avenue, South of Kefu Road, Beihai City, Guangxi Province	Industrial	100%	412,378
22	Xi'an Industrial Park (西安產業園)	Xi'an	West of Caotanshi Road, North of Shangji Road, Xi'an City, Shaanxi Province	Industrial	73.91%	321,695
23	Wenzhou Industrial Park (溫州產業園)	Wenzhou	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou City, Zhejiang Province	Industrial	60%	399,927
24	Beihai Taiwan Road Land Plot (北海台灣路地塊)	Beihai	East of Nanzhu Avenue, North of Taiwan Road, Beihai City, Guangxi Province	Residential	49.74%	300,334
Total						5,344,429

## Management Discussion and Analysis (Continued)

### Development and Sales of Ancillary Residential Buildings

Benefiting from the overall uptrend in Wuhan real estate market, during the Reporting Period, the Group raised the unit selling price and expedited the sales for ancillary residential building, with a sales volume of RMB507.0 million.

### Self-owned Park Properties Leasing

During the Reporting Period, the income growth of the self-owned park properties leasing was 105.0%, with a growth in unit rent of 17.5%. The area of the self-owned quality properties reached 397,000 sq.m., with an occupancy rate of over 80.0%. It brought a stable and sustainable cash flow to the Group, further optimized the model of business solicitation services for parks and promoted brand effectiveness continuously.

### Introduction of Major Business Park Projects

#### Introduction of the new business park projects in 2016

##### **Xi'an CEC Information Harbour**

Location: Next to Caotan 10th Road, Caotan Eco-Industrial Park, Xi'an, Shaanxi Province.

Scale: The project occupies a total site area of 313,000 sq.m. and has a planned GFA of 600,000 sq.m., among which, phase I of this project takes a site area of 135,000 sq.m. and a GFA of approximately 320,000 sq.m..

Project positioning: Subdivided industries related to health and medical big data application sector, which also includes cloud computing service, integrated circuit design, software research and development, information service, information safety, e-business, and other productive and consumptive information service industries.

Details of the project: One of its core functions is being the national northwest center in charge of processing health and medical big data. It also provides enterprises with services, including cloud computing, data center and supercomputing center. Further, it also provides research and development service and office properties to corporate customers engaging in subdivided industries related to the electronic information sector.

Status: As at 31 December 2016, the project has been authorized with land use right in respect of an area of 135,000 sq.m., and an area under development of 116,000 sq.m. As at 31 December 2016, Cyberspace Great Wall Co., Ltd., and BMW Brilliance Automotive Ltd. have settled down in the park.

## Management Discussion and Analysis (Continued)



### Beihai CEC Information Harbour

Location: Beihai, Guangxi Province.

Scale: The project occupies a total site area of 373,000 sq.m. and has a planned GFA of 397,000 sq.m., among which, phase I of this project takes a site area of 244,000 sq.m. and a GFA of approximately 192,000 sq.m..

Project positioning: E-business, software development and information service, intelligent manufacturing and creative design, etc.

Details of the project: Research and development of office properties, light manufacturing plants, innovative business incubator space, ancillary apartments as well as commercial supporting facilities including hotels and restaurants.

Status: As at 31 December 2016, the project has been authorized with land use right in respect of an area of 352,000 sq.m., and it has a completed area of 193,000 sq.m. and an area under development of 53,000 sq.m. As at 31 December 2016, a total of 202 enterprises, including Guan Jie Technology (Beihai) Company Limited (冠捷科技(北海)有限公司), Beihai Liu He Electronics Company Limited (北海六禾電子有限公司), Beihai Jia Xin High-Tech Company Limited (北海嘉信高科技有限公司), have settled down in the park.



## Management Discussion and Analysis (Continued)

### Hainan Software Park

Location: Next to South 1st Ring Road, Chengmai county, Hainan Province.

Scale: The project plans to occupy a total site area of 2,000,000 sq.m., of which 1,190,000 sq.m. has been granted the land use right.

Project positioning: E-business, software development and information service, outsourcing of software service, call center, games, IT training and Internet film, etc.

Details of the project: Research and development of office properties, innovative business incubator space, youth apartments, residential properties, shopping streets and other commercial supporting facilities such as hotels and restaurants.

Status: As at 31 December 2016, the project has been authorized with land use right in respect of an area of 1,190,000 sq.m., and it has a completed area of 392,000 sq.m. and an area under development of 253,000 sq.m. As at 31 December 2016, a total of 815 enterprises including Tencent Holdings Limited, Neusoft Corporation, China National Software & Service Company Limited, DHC Software Co., Ltd., Beijing Join-Cheer Software Co., Ltd., National Institute of Information Technology (India) and Beijing Kingsoft Cloud Network Technology Co., Ltd. (北京金山雲網絡技術有限公司) have settled down in the park.



## Management Discussion and Analysis (Continued)

### Wenzhou CEC Information Harbour

- Location: The project is located East of Binhai Sixth Road, South of Binhai Eleventh Road, West of Jin Hai Third Road, North of Binhai Sixteenth Road, Wenzhou Economic and Technological Development Zone.
- Scale: The project occupies a total site area of 1,097,000 sq.m. and has a planned GFA of 2,249,000 sq.m., of which a site area of 211,000 sq.m. and a planned GFA of approximately 400,000 sq.m. is taken up by phase 1 of this project. Currently, land use right has been authorized for phase I of this project.
- Project positioning: Under the strategic guidance of bipolar integration and integration of working and living communities, the project meets the demand of the time of integrating mass entrepreneurship and mass innovation. Anchoring in Wenzhou and facing the Yangzi Delta and Pearl River Delta economic zones, this project leverages on the outstanding resources of electronics information industry to upgrade the traditional industries in Wenzhou, establishes the advanced 4.0 international industrial eco-system and builds the Wenzhou Information Harbour which is in line with the new urbanization.
- Details of the project: Including industrial, education, scientific research, commercial and business and residential buildings.
- Status: As at 31 December 2016, land use right has been authorized in respect of an area of 211,000 sq.m. The preliminary design of B-28b land plot has been completed and it is expected that construction will commence in June 2017 and complete in October 2019.



### Shenyang CEC Information Harbour/Shenyang CEOVU Information Harbour

- Location: The intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province.
- Scale: The project occupies a total site area of 500,000 sq.m., of which a site area of 125,000 sq.m. and a planned GFA of 110,000 sq.m. is taken up by phase 1 of the project. Currently, a parcel of land with an area of 125,000 sq.m. has been obtained through listing-for-sale procedure for phase I of this project.
- Project positioning: The principal operations consist of intelligent firefighting, machinery processing, seeds, construction materials, packaging and printing, medical equipments and green energy conservation.
- Details of the project: Plants, innovative business incubator and related commercial supporting facilities.
- Status: The project is under planning and design, and construction is expected to start in April 2017.

## Management Discussion and Analysis (Continued)



### Chengdu Chip Valley

Location: Next to Huayuan Road and Jiancao south Road, Shuangliu District, Chengdu, Sichuan Province.

Scale: The project plans to occupy a total site area of 20 sq.k.m., of which, phase I is to take up a site area of 3,710,000 sq.m., and phase II is to take up 16,240,000 sq.m..

Project positioning: Based on the operating policy focusing on city-industry integration, civil-military integration and science-culture integration, the project has gathered and developed a group of international and domestic leading enterprises engaging in IC design, manufacturing of advanced process production line, components and whole sets manufacturing, making it the third pole in the integrated circuit market in China.

Details of the project: Unfinished roads, state grids and relevant urban infrastructure within the abovementioned land of a site area of 20 sq.k.m.. Plants, R&D and office properties, corporate headquarters, integrated circuit museum, open lab, scientific incubator, accelerator, practical training base, international innovation center, apartments and commercial facilities within the park.

Status: The project is under planning and design.



# Management Discussion and Analysis (Continued)

## Briefings on Status of Other Projects under Development

### **Wuhan Creative Capital**

As at 31 December 2016, construction for phase I of the project with an area of 387,000 sq.m., has fully completed. More than 300 enterprises, institutions and artists, including Wuhan Dao Sen Media Company Limited\* (武漢道森傳媒體股份有限公司) and Wuhan Zuo Tang Construction, Decoration, Design and Engineering Company Limited\* (武漢左堂建築裝飾設計工程有限公司), have moved in. During the Reporting Period, Creative Capital United Art Museum held in aggregate of seven exhibitions, including Wang Guangyi "Existence and Ultra-experience", attracting 100,000 visitors in total.

### **Ezhou OVU Science and Technology City**

During the Reporting Period, the completed area was 32,000 sq.m., and the construction in progress involved an area of 10,000 sq.m.. As at 31 December 2016, 194,000 sq.m. was completed. Till then, over 60 enterprises mainly engaged in new materials, manufacturing of intelligent equipments, biological medicine and opto-electronic information, have contracted to settle down at this park, and over 30 of them have commenced operation, including Hubei Mutual Trust and Communication Information Technology Company Limited, Hubei Mei Ke Jing Yi Technology Company Limited, Guangzhou Hang Ju Information Technology Company Limited, Wuhan Rui Da Yuan Technology Company Limited, Wuhan Hui Jie Intelligent Automation Company Limited, Wuhan Xing An Lun Photoelectric Technology Company Limited, Wuhan Bin Hui Biological Technology Holdings Limited and other well-known enterprises in Hubei province.

### **Huangshi OVU Science and Technology City**

As at 31 December 2016, 59,000 sq.m. was completed, and 38,000 sq.m. was still under construction. There are 60 enterprise residents.

### **Huanggang OVU Science and Technology City**

As at 31 December 2016, 44,000 sq.m. was still under construction. There are 7 contracted enterprises.

### **Qingdao OVU International Marine Information Harbour**

As at 31 December 2016, 279,000 sq.m. was completed. There are 247 enterprise residents, and 560 contracted and registered enterprises. OVU Maker Star of this project has been authorized as the national maker space and market incubator.

### **Qingdao Innocenter**

As at 31 December 2016, the area under construction was 86,000 sq.m..

### **Hefei Financial Harbour**

As at 31 December 2016, phase I of this project with an area of 321,000 sq.m. was completed. 29 enterprises have contracted to settle in, 4 of which are major financial institutions, making this project the winner in Hefei in terms of office property sales in 2016. Phase II of this project is currently under design.

## Management Discussion and Analysis (Continued)

### Shenyang OVU Science and Technology City

As at 31 December 2016, 79,000 sq.m. of Phase 1.1 was completed. 22 enterprises including Opple Lighting Co., Ltd., Datang International Power Generational Co., Ltd., Shandong Denghai Seeds Co., Ltd. and Suzhou Meide Aircraft & Aerospace Material Co., Ltd. have contracted to settle in the park.

### CONSTRUCTION AND MANAGEMENT SERVICES

#### Governmental Procurement, EPC Integrated Design and Construction Service

In recent years, the governmental procurement service, which was born out of the reform tide of local exploration, has been promoted as a national strategy. The central government and local authorities issued numerous laws and regulations, particularly in fields such as development of new industrial cities and industrial parks, to support, encourage and standardize governmental procurement, which offered much more opportunity for enterprises carrying out business relating to the industrial property development and operation. With the comprehensive consultation service and the agent construction service experience in various governmental projects, namely Wuhan Biolake, Wuhan Future Science Town, CEOVU is working wholeheartedly in governmental procurement service in order to seek for a breakthrough in the income size and model.

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

The Group provided comprehensive consultation services and agent construction service for Institute of New Energy in Wuhan Future Science Town, which was credited with the highest standard "3 Star Green Construction Recognition\*" (綠色三星建築認證) among the China Green Building Label in 2016.



# Management Discussion and Analysis (Continued)

## Project Management and Consultation Services

During the Reporting Period, the revenue of the consultation and management service of the Group was RMB13.4 million. After a year of establishment and integration, the consultation and management department of the Group has adopted the most suitable business and marketing approach. Successful cases of our service were well received by related government organizations, institutes and enterprises under cooperation.

During the Reporting Period, the Group provided consultation and management service to government organizations and corporate enterprise in places including Tianjin Binhai New Area, Luoyang Hi Tech Development Zone, Yichuan County in Luoyang, Hefei Binhu New Area and Yueqing City in Wenzhou. The total amount of the service contracts was RMB11.9 million. Among which, we entered into consultation and management service agreements for a total of 39 projects in six cities covering Tianjin, Hefei, Luoyang, Wuhan and Wenzhou as at the Reporting Date. The business scope includes sections such as preliminary industrial positioning, project planning, design and business solicitation. It established a good foundation for the Group's further advancement in extended businesses such as park development and construction service.

## INDUSTRIAL PARK OPERATION SERVICES

During the Reporting Period, the revenue of the park operation service of the Group was RMB371.3 million, representing an increase of 50.2% as compared to the same period of 2015. The Group provides a variety of integrated operational service to enterprises stationed in our industrial parks, including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, innovation and investment service, real estate marketing and agency, group catering, hotel, human resources and training for parks. In terms of composition, the major income sources of the park operational services are property management service and district heating and cooling service, which accounted for 69.0% and 14.5% respectively.

## Property Management Service

During the Reporting Period, the revenue from property management service of the Group was RMB239.5 million, representing an increase of 50.5% as compared to the same period of 2015. Among which, income from property management service provided to industrial park projects accounted for 8.2% and income from property management service providing to projects excluding the Group's projects accounted for 48.5%. Our clients are GLP, China Mobile and other related government organizations. During the Reporting Period, the area of the property management service reached 17,000,000 sq.m., of which the area of corporate customer services accounted for 53.9%.

During the Reporting Period, by leveraging on the Internet-of-Things technology, BIM 3-D visualization technology and mobile Internet technology, the Group carried out a reform in respect of the existing property management model, which enabled the Group to substantially cut down the staff costs and improve its management efficiency as well as customers' satisfaction.

## Management Discussion and Analysis (Continued)

By the integrated application of sensors, Internet-of-Things, operation & management software and platforms, the Group has initially established its own management model applicable to intelligent business parks. Taking into account the potential booming prospect of this efficient and visualizable management model and a strong demand from customers, the Group plans to promote this management model in the coming three years and operating income from this business segment will then experience a rapid growth.



### District Heating and Cooling Service

During the Reporting Period, the income of the district heating and cooling supply service (DHC) of the Group was RMB53.7 million. Energy saving and environmental protection are national strategies having significant bearing on the livelihood of general public. The Group owns 28 patents relating to energy saving, including the patent for self-developed energy saving and control system. Our DHC energy saving and environmental protection technology, system integration and operation and management capability are of the leading positions in the market. Currently, our business is carried out mainly in Wuhan and Hefei, and we will speed up our pace in implementing the transformation of the DHC energy service business from an endogenous approach to a market-oriented approach. Development will be accelerated by adopting a variety of measures such as autonomous investment and operation, agent construction operation and management consultation. With the advantages generated from the strategic cooperation with competitive enterprises within the same district, we strive to occupy the domestic DHC market swiftly and become the leader in China's DHC market.

### Smart management service for facility and equipment

During the Reporting Period, in order to foster a more favourable and professional management capability for facility and equipment, the Group established Shenzhen Domainblue Smart Technology Company Limited\* (深圳藍域智能科技有限公司), with operating income of RMB3.4 million. The Group adopted a software-oriented development strategy featuring the characteristic of the Internet era, and in 2016, we focused on software research and development. In 2016, the Group introduced Archibus software from the USA and carried out secondary development based on this foundation. We are the first to complete the ovuifms smart management system for facility and equipment combining BIM technology, Narrow Band Internet-of-Things technology and mobile Internet technology. Ovuifms possesses the 3-D visualization function for the management of construction facility and equipment. Since June 2016, the system has been tested in several projects of the Group and achieved a good outcome. In 2017, the Group plans to utilize the developed software platform to expand its market and focus on property companies and developers, including software cloud service, output management and equity cooperation. At the same time, drawing on the support from software research and development capability, we are able to take a gradual step into operation and management of infrastructure in smart city.

# Management Discussion and Analysis (Continued)

## Incubator and Office Sharing Service

During the Reporting Period, the Group established a controlling subsidiary — Wuhan Ovu Technology Co., Ltd., which was responsible for the operation of Ovu Maker Star. During the Reporting Period, the operating income was RMB7.6 million.

As at 31 December 2016, there were 13 Ovu Maker Star sites distributing in 7 cities across the country, including Wuhan, Qingdao, Hefei, Xi'an, Beihai, Ezhou and Huangshi, creating up to 5,900 jobs. Among these sites, Wuhan Creative Capital\* (武汉创意天地) outlet, Qingdao International Marine Information Harbour\* (青岛国际海洋信息港) outlet and Huangshi Station\* (黄石站點) were rated as incubators with national standard. Among the 13 Ovu Maker Star sites, 7 of which are in Wuhan, creating 3,200 jobs, and the average leasing rate thereof was above 75%. Accumulatively, there were 236 teams using our services, among which, 7 teams entered the series A round, while 10 teams entered the angel round and 8 teams entered the seed round.

During the Reporting Period, the Ovu Maker Star online platform mobile application was established and it was downloaded for over 20,000 times with 15,000 registered members. The activity rate is more than 20%.



## Management Discussion and Analysis (Continued)

### Innovation and Investment Service

During 2016, Wuhan Lingdu Entrepreneurship Investment and Management Co., Ltd.\* (武漢零度創業投資管理有限公司) ("Lingdu Capital"), a controlling subsidiary of the Group, took full charge of operating the Group's OVV Fund, and was responsible for investment issues relating to high-tech industries and high-return innovation and entrepreneurship projects. Leveraging on the industrial background and abundant capital market resources of China Electronics Group and the Group, Lingdu Capital develops rapidly with its scale of assets management already reaching RMB1 billion; it possesses high-quality professional teams in areas such as investment, financing, fund management and project investment and its core team has extensive experience in entrepreneurship, corporate operation, risk control and investment management as well as deep knowledge of domestic and overseas markets. During 2016, Lingdu Capital, together with relevant government and other investment institutions, initiated to establish certain funds with a total scale exceeding RMB1.5 billion. During 2016, the Group sponsored and organized the Sino-US entrepreneurship competition named "Yizhidu Show\*" (億隻獨SHOW) to gather resources for its entrepreneurship incubation service and to extensively enhance its market position and reputation in entrepreneurship incubation service market. As at 2016, the Group has entered into investment agreements with 15 companies intending to invest a total amount of approximately RMB92 million. Such companies include Wuhan Beida High-Technology Software Company Limited (a company listed on the National Equities Exchange and Quotations), Wuhan Xun Niu Technology Company Limited\* (武漢迅牛科技有限公司) and Wuhan Qiu Zhi Dao Technology Company Limited\* (武漢球之道科技有限公司).

### Investment projects

Full Name of Invested Companies	Intended total investment amount (RMB0'000)	Accumulated investment amount (RMB0'000)	Shareholdings
Wuhan Echoliv Idea Technology Company Limited	3,000	750.4	67%
Wuhan Shiyipingmi Technology Company Limited	290	290	35%
Wuhan Shiyipingmi Investment Company Limited	11	11	50%
Wuhan Easylinkin Technology Co., Ltd.	2,192.5	2,192.5	31.47%
Wuhan SunEn-Tech Co., Ltd.	600	300	24%
Wuhan Beida High-Technology Software Company Limited (listed on National Equities Exchange and Quotations)	400	400	8%
Wuhan Meizhi 37 Technology Co., Limited	246	246	14.571%
Wuhan Triples Information Technology Company Limited	193	193	45%
Wuhan Forworld Software Technology Co., Ltd.	540	540	30%
Wuhan Xunniu Technology Company Limited* (武漢迅牛科技有限公司)	600	599.8	10%
Shenzhen Pude Technology Co., Ltd.* (深圳普得技術有限公司)	200	200	2.86%
Wuhan Beisi Kai'er Information Technology Co., Ltd.* (武漢倍思凱爾信息技術有限公司)	300	297	15%
Wuhan Ball Way Co., Ltd.	500	300	10%
Beijing Wanyi Technology Co., Ltd.* (北京玩驛科技有限公司)	120	72	20%
	9,192.5	6,391.7	



# Management Discussion and Analysis (Continued)

## Other Operation Services

In addition, the Group also provided more than ten types of industrial park operation related services, including human resources and training, park financing, group catering, apartment leasing, hotels, real estate agency, recreation and entertainment. It also offers collective household register services and business and commercial registration service, as well as organizing numerous activities for parks, such as blind dates and social parties. These services were all highly praised by the enterprise residents and their staff, helping the Group to strengthen its customers' loyalty.

## INDUSTRIAL INVESTMENT

During the Reporting Period, the Group contributed to the establishment of Shenzhen Huada Beidou Technology Company Limited\* (深圳華大北斗科技有限公司) ("Huada Beidou") and made additional strategic investments in Wuhan Easylinkin Technology Co., Ltd. ("Easylinkin Technology"), with an aim to build a solid foundation in industrial technology for the Group to serve more customers in the sector of Internet-of-Things and smart city in the future.

Huada Beidou is mainly engaged in the design, integration, production, testing, sales and related business of chips, algorithm, module and end products. Navigation and positioning chips of Huada Beidou, which adopted the integrated RF baseband design, is the first of its kind in China which ranked in the top 10 of an international ranking for professional navigation and positioning chips. Meanwhile, it is credited with several awards issued by the domestic integrated circuit industry and navigation and positioning industry. With the experience and successful cases accumulated in large-scale integrated circuit design, Huada Beidou has established a sound foundation for GPS/BD navigation chips, especially in its baseband and RF design, research on its algorithms, and commercialization solutions. The self-designed GPS/BD multi-channel satellite navigation chip is outstanding in its sensitivity and integration. With the characteristic of its secondary development, it can be utilized widely in fields such as vehicle navigation, position perception and accurate time service.

Easylinkin Technology is an operator which focuses on providing network for Internet-of-Things. Under the background of Internet-of-Everything, the epochal network of Easylinkin Technology, with its low consumption and long distance capability, was adopted by more than ten industries and 110 projects covering Internet-of-Things in parks, security, energy and household sectors. Driven by the momentum from Internet-of-Things and smart city, Easylinkin Technology will experience a sound development and profit growth.

# Management Discussion and Analysis (Continued)

## PROSPECT FOR 2017

### Market Environment

We expect that economic recovery associated with political turbulence will continue to be the keynote of global economic development in 2017. Many institutions predicted that China's economy will reach mid-term bottom in 2017 and realize a soft landing in economic growth and finance risks. These institutions concurred with the Group that China is or will progress towards a better direction after carrying out continuous structural reform. The continuous launch of "13th Five-Year" Plans of various industries and areas and the completion of top-level design of Made in China 2025 Strategy set a clear direction for the structural adjustment of China's economy. The robust growth and clustering of new enterprises of real economy will drive up the demand on carriers in industrial parks. The introduction of various guidance documents targeting at the development of industrial new zones and industrial parks, including Circular No.7 on the Reform of Development Zone, Development of Small Villages with Distinguishing Features and the Encouragement of PPP Model also offer extensive room and platform for expanding the Group's business of development and operation of themed industrial parks. After going through the period of new business development and profound business structural adjustment, CEOVU will enter a fast track of business development in 2017.

### Strategies of the Group

#### Fully Integrate into CEC and Effectively Integrate Industry Resources

As a key state-owned enterprise under the management of the central government, China Electronics Information Industrial Parks Company Limited\* (中國電子信息產業園有限公司) and its subsidiaries ("China Electronics Group") is the largest state-owned IT conglomerate corporation in China. In particular, it occupies a crucial strategic position in the national information security industry in China. In addition to the demand for development and operation of industrial parks resulting from an expansion of production capacity of industrial enterprises in integrated circuit, software design and other related fields under China Electronics Group, the industry and social resources which can be attracted, gathered and driven from the group are solid and tremendous. As the sole development and operation enterprise for industrial park platform of China Electronics Group, the Group is able to leverage on the expertise accumulated in the past to integrate relevant industrial resources within the system with creativity and broaden the scope of our business with a comprehensive development approach, such as primary and secondary land development, or mixed development of industry carrier and residence in industrial parks. Chengdu Xin Gu will be a pilot of the Group to develop its business with a comprehensive approach in the next five years and we believe that this model will generate steady cash flow and a sustainable rapid growth in development business.

#### Adhere to a Balanced Light-and-Heavy Business Development Strategy

China is currently in an in-depth adjustment period for its industrial structure. All walks of life are facing unprecedented changes and challenges. Our business model and business development strategy also need constant adaptive adjustments. The foundation for our business transformation is about how to turn our customers into the users of the platforms under our services. Therefore, in 2017, we will uphold a balanced light-and-heavy assets strategy, not only focusing on investment and self-development of "heavy assets" in high-quality cities and high-quality lands in a timely manner, but also endeavoring to build our capability of "light assets" in consultation and management segment and business operation management of the Group, so as to achieve a rapid growth in operating income, a steady increase in profit margin, and a continuous optimization of development model for the Group.

# Management Discussion and Analysis (Continued)

**Focusing on Four Main Industrial Themes and Penetrating Swiftly into Core Cities to Achieve Broader Business Deployment**  
Based on the judgment of the Group on the industrial development for the upcoming years and the accumulated and integrated industry resources in related industries, upon negotiations with various local governments in 2016, our industrial themes of development business will focus on four categories, namely healthcare big data, integrated circuits, civil-military integration and smart manufacturing. In 2017, the Group is expected to introduce new industrial park projects in city clusters in the upper and middle reaches of Yangtze River and core cities in Pearl River Delta and Beijing-Tianjin-Hebei Region.

**Innovative Financing Model, Implementation of Expansive Financial Policy and Building Financial Service System in Parks**  
Based on the Group's sound business capability and good credit history in 2016, Wuhan Optics Union, the domestic management platform of the Company, was credited with "AA" credit rating by three rating agencies in the PRC. In 2017, the Group will strive for breakthroughs in scaled financing and financing innovation. We will support the development of the Group and the development of business operations through a variety of financing. In addition, we will recommend the core enterprises stationed in the park to look into mutual insurance model, integration of innovation and investment and financial service, in order to further improve the operation service system in parks with a combined "investment and loan insurance" model, thereby enhancing the financial services of the Group.

## Financial Review

### Revenue

The revenue of the Group is generated from the income from industrial park development business, construction and management service and industrial park operation service. During the year ended 31 December 2016, the revenue of the Group was RMB2,594.7 million, increased by RMB690.9 million from RMB1,903.8 million during the year ended 31 December 2015. In 2016, the revenue was mainly attributable to revenue from industrial park development.

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

	Years ended 31 December			
	2016		2015	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Industrial Park Development	<b>2,053,945</b>		1,573,791	
Sales of Industrial Park Properties	<b>1,463,163</b>	<b>56.4</b>	843,867	44.3
Sales of Ancillary Residential Properties	<b>507,011</b>	<b>19.5</b>	689,070	36.2
Self-owned Industrial Park Properties Leasing	<b>83,771</b>	<b>3.3</b>	40,854	2.1
Construction and Management Services	<b>169,468</b>	<b>6.5</b>	82,801	4.4
Industrial Park Operation Services	<b>371,288</b>		247,248	
Property Management Service	<b>239,478</b>	<b>9.2</b>	159,143	8.4
District Heating and Cooling Service	<b>53,668</b>	<b>2.1</b>	47,683	2.5
Others	<b>78,142</b>	<b>3.0</b>	40,422	2.1
Total	<b>2,594,701</b>	<b>100.0</b>	1,903,840	100.0

# Management Discussion and Analysis (Continued)

## Industrial Park Development

In 2016, the revenue of the industrial park development business of the Group was RMB2,053.9 million, with a growth of 30.5% as compared to 2015. Among which, the sales income from industrial park properties was RMB1,463.1 million, representing a growth of 73.4% with a booked sales area of 248,000 sq.m., representing an increase of 65.6% as compared to the same period last year, which is mainly attributable to the sales of Hefei Financial Harbour Project in 2016. Ancillary residential buildings achieved a sales income of RMB507.0 million. The income slightly dropped compared to last year mainly due to the decrease in area of booked income, while the unit price increased by 12.8% as compared to last year, which was mainly attributable to the huge demand in the Wuhan housing market in 2016. Industrial park leasing income was RMB83.8 million, representing a growth of 105.0%, with a leasing area of 397,000 sq.m.. The occupancy rate was over 80.0%.

## Construction and Management Services

During 2016, the revenue of the construction and management service of the Group's park was RMB169.5 million, representing an increase of 104.7% as compared to the same period of 2015. It is mainly attributable to the income from a subsidiary of the Group, China Electronics Wenzhou Industrial Park Development Co., Ltd., which provided external construction and management service.

## Industrial Park Operation Services

During 2016, the revenue of the park operation service was RMB371.3 million, representing an increase of 50.2% as compared to the same period of 2015. The Group provides a variety of integrated operation service to enterprises stationed in our industrial park, including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, innovation and investment service, real estate marketing and agency, group catering, hotel, human resource and training for parks. The growth in the income from industrial park operation service is mainly attributable to the increase in area of property management service provided by the Group, with a growth rate of 50.5%.

## Cost of Sales

### Overview

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

During the year, cost of sales of the Group increased by RMB471.3 million from RMB1,311.8 million for the year ended 31 December 2015 to RMB1,783.1 million for the year ended 31 December 2016. For the years ended 31 December 2015 and 2016, cost of sales of the Group accounted for approximately 68.9% and 68.7% of the Group's revenue, respectively.

### Cost of Industrial Park Development Business

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

During the year, cost of properties sold increased by RMB298.9 million from RMB1,063.0 million for the year ended 31 December 2015 to RMB1,361.9 million for the year ended 31 December 2016, primarily due to an overall increase in land costs, development costs and finance costs. For the years ended 31 December 2015 and 2016, cost of properties sold of the Group accounted for 81.0% and 76.4% of its total cost of sales, respectively.

# Management Discussion and Analysis (Continued)

## Gross Profit and Gross Margin

As a result of the foregoing, overall gross profit of the Group increased by RMB219.6 million, from RMB592.0 million in 2015 to RMB811.6 million in 2016. Overall gross profit margin was 31.3%, increased by 0.2 percentage points as compared to 31.1% of last year.

## Other Income and Gains — Net

Other income and gains of the Group increased by RMB186.7 million from RMB27.5 million in 2015 to RMB214.2 million in 2016, primarily due to (i) the gains arising from the disposal of equity interests in two subsidiaries of the Group, namely Wuhan Financial Harbour and Energy Conservation Technology Park; (ii) the government subsidies received from several local government authorities increased by RMB57.7 million, from RMB28.4 million in 2015 to RMB86.1 million in 2016.

## Selling and Distribution Expenses

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

During the year, selling and distribution expenses of the Group increased by RMB20.4 million from RMB64.1 million in 2015 to RMB84.5 million in 2016, primarily due to an increase in advertising and promotional expenses as the Group conducted more selling, marketing and advertising activities. For the years ended 31 December 2015 and 2016, selling and distribution expenses of the Group accounted for approximately 3.4% and 3.3% of the Group's revenue, respectively.

## Administrative Expenses

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

During the year, administrative expenses of the Group increased by RMB84.9 million from RMB167.1 million in 2015 to RMB252.0 million in 2016, primarily due to the expansion in the scale of operation of the Group after merging with CEC Technology and the increase in staff costs as a result of increase in administrative staff. For the years ended 31 December 2015 and 2016, administrative expenses of the Group accounted for approximately 8.8% and 9.7% of the Group's revenue, respectively.

## Fair Value Gains on Investment Properties

Fair value gains on the Group's investment properties decreased by RMB166.0 million from RMB345.6 million in 2015 to RMB179.6 million in 2016, primarily due to the fact that the area of investment properties newly added this year is smaller than that of previous year.

For the years ended 31 December 2015 and 2016, the fair value gains on investment properties contributed to 46.2% and 23.6% of the Group's profit before income tax, respectively. The decreased weighting of fair value gains in the profit for the year was mainly attributable to an increase in profit from core business and a decrease in the gains from changes in fair value.

# Management Discussion and Analysis (Continued)

## Finance Income

During the year, finance income of the Group increased by RMB12.0 million from RMB34.8 million in 2015 to RMB46.8 million in 2016, primarily due to an increase of interest income from an entrusted loan to an associate.

## Finance Costs

During the year, finance costs of the Group increased by RMB105.6 million from RMB12.5 million in 2015 to RMB118.1 million in 2016, primarily due to the fact that certain park development projects have completed and the relevant interest expense ceased for capitalisation in 2016.

## Share of Losses of Associates

The share of losses of associates of the Group increased by RMB36.4 million from RMB0.6 million for the year ended 31 December 2015 to RMB37.0 million for the year ended 31 December 2016, primarily due to the disposal by Hainan Investment, an associate of the Group, of 50% equity interest in its subsidiary due to stressed cash flow at a price lower than the acquisition cost of the Group's reorganization.

## Share of Profits of Joint Ventures

The Group had a share of profits of joint ventures of RMB0.4 million for the year ended 31 December 2016, which primarily consisted of the Group's share of profit of Wuhan Mason.

## Income Tax Expense

During the year, income tax expense of the Group increased by RMB48.1 million from RMB243.4 million in 2015 to RMB291.5 million, which was primarily due to: (i) an increase in PRC land appreciation tax expense of RMB44.6 million; (ii) an increase in PRC corporate income tax expense of RMB30.0 million; and (iii) a decrease in deferred tax expense of RMB26.5 million. Effective tax rates of the Group were 32.5% and 38.3% for the years of 2015 and 2016, respectively.

## Profit Attributable to Owners of the Company and Core Net Profit

As a result of the foregoing, during the year, the profit attributable to owners of the Company decreased by RMB68.0 million from RMB499.9 million in 2015 to RMB431.9 million in 2016. However, after deduction of the post-tax fair value gains on investment properties, the core net profit in 2016 was approximately RMB334.8 million, representing an increase of 36.5% compared to the RMB245.3 million of core net profit in 2015.

## Basic Earnings Per Share

The basic earnings per share decreased from RMB12.5 cents in 2015 to RMB7.18 cents in 2016, which was mainly attributable to the significant increase in the weighted average number of ordinary shares of the Company after the completion of reorganisation and placing of the Group in 2016.

# Management Discussion and Analysis (Continued)

## Financial Position

### Properties under Development

The carrying amount of properties under development of the Group decreased by RMB960.3 million from RMB2,443.6 million as at 31 December 2015 to RMB1,483.3 million as at 31 December 2016, primarily due to the transfer of the Group's properties under development to completed properties held for sale, including Hefei Financial Harbour (Phase I), Creative Capital (Phase III & IV) and Ezhou OVU Science and Technology City (Phase I).

### Completed Properties Held for Sale

The carrying amount of completed properties held for sale of the Group increased by RMB618.3 million from RMB2,317.3 million as at 31 December 2015 to RMB2,935.6 million as at 31 December 2016, primarily due to an increase in completed projects of the Group during the year.

### Trade and Other Receivables

The Group's trade and other receivables increased by RMB1,054.6 million from RMB610.4 million as at 31 December 2015 to RMB1,665.0 million as at 31 December 2016, primarily due to (i) the increase in trade and other receivables from the disposal of properties; (ii) the increase in receivables from associates after CEC Technology became a subsidiary of the Group.

### Trade and Other Payables

The Group's trade and other payables decreased by RMB364.5 million from RMB2,075.7 million as at 31 December 2015 to RMB1,711.2 million as at 31 December 2016, primarily due to the settlement of certain construction payables made by the Group in 2016.

### Liquidity and Capital Resources

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

In 2016, the Group's net cash inflow from operating activities was RMB887.1 million, which was mainly cash inflow from sale of projects by the Group, such as Creative Capital, Lido 2046, OVU Science and Technology City (Ezhou) project, Qingdao OVU International Marine Information Harbour and Hefei Financial Harbour.

In 2016, the Group's net cash inflow from financing activities was RMB12.7 million. In 2016, cash inflow from financing activities mainly came from the proceeds from the Company's placing, partially offset by the repayment of bank borrowings, corporate bonds and other borrowings. Cash outflow from financing activities in 2016 was mainly related to repayment of entrusted loan of CECH, bank and other loans, interest and other borrowing costs and dividend paid.

# Management Discussion and Analysis (Continued)

## Key Financial Ratios

### Current Ratio

Current ratio of the Group, representing total current assets divided by total current liabilities, increased from 1.78 as at 31 December 2015 to 2.24 as at 31 December 2016, mainly attributable to the increase in cash due to the Company's placing as well as the increase in revenue of the Group during the year, which in turn resulted in an increase in the trade and other receivables and bank deposits.

### Net Gearing Ratio

Net gearing ratio of the Group, representing the ratio of interest bearing debts deducting total cash over total equity and multiplied by 100%, decreased from 44.8% as at 31 December 2015 to 18.9% as at 31 December 2016, primarily because of the increase in owners' equity upon reorganization and placing of the Group.

### Indebtedness

The Group's total outstanding bank loans and other borrowings decreased by RMB145.4 million from RMB3,375.3 million as at 31 December 2015 to RMB3,229.9 million as at 31 December 2016.

As at 31 December 2016, unutilized banking facilities amounted to RMB290.3 million and unutilized other borrowings amounted to RMB3,500.0 million.

### Contingent Liabilities

The Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of the Group's pre-sold properties. As at 31 December 2015 and 31 December 2016, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB471.8 million and RMB884.6 million, respectively.

### Net Current Assets

Current assets of the Group consisted primarily of properties under development, completed properties held for sale, trade and other receivables, inventories and contracted work-in progress, and cash and cash equivalents. Total current assets of the Group were approximately RMB8,023.0 million as at 31 December 2016, as compared to RMB7,258.0 million as at 31 December 2015. As at 31 December 2015 and 31 December 2016, aggregate cash denominates in RMB of the Group amounted to approximately RMB2,021.5 million and RMB1,051.8 million, respectively. The Group primarily financed its expenditures through internally-generated cash flows, being primarily cash generated through pre-sale and sale of its properties and cash from bank loans and other borrowings.

Current liabilities of the Group consist primarily of trade and other payables, loans and borrowings and current tax liabilities. Trade and other payables represent costs related to its development activities. Total current liabilities of the Group were approximately RMB3,582.2 million as at 31 December 2016, as compared to RMB4,081.2 million as at 31 December 2015.

As at 31 December 2016, the Group had net current assets of approximately RMB4,440.8 million as compared to RMB3,176.8 million as at 31 December 2015. The increase in net current assets of the Group was primarily attributable to the increase in cash due to the Company's placing and the increase in trade receivables and other receivables arising from the increase in sales.

# Management Discussion and Analysis (Continued)

## Capital Expenditures and Capital Commitments

Capital expenditure of the Group decreased by RMB134.2 million from RMB279.2 million in 2015 to RMB145.0 million in 2016. Capital expenditures of the Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 31 December 2015 and 31 December 2016, the Group's outstanding balances of its commitments related to property development expenditure and investment commitment were RMB358.1 million and RMB807.4 million, respectively.

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

## Material Acquisitions

On 14 December 2015, CECH (as vendor) entered into an equity interest transfer agreement (the "Equity Interest Transfer Agreement") with the Company and an indirect wholly-owned subsidiary of the Company, namely China Electronics Optics Valley Union Company Limited (formerly known as AAA Finance & Investment Limited) (as purchasers). Pursuant to the Equity Interest Transfer Agreement, CECH had conditionally agreed to sell, and the Company and China Electronics Optics Valley Union Company Limited had conditionally agreed to acquire, 100% of the equity interest in CEC Technology (a then wholly-owned subsidiary of CECH). The consideration for the equity transfer pursuant to the Equity Interest Transfer Agreement (the "Equity Transfer") was RMB699,854,600, which was satisfied by the allotment and issue of 1,058,530,083 new Shares ("Consideration Shares"), credited as fully paid, at the consideration price of HK\$0.8 per Consideration Share. The Consideration Shares rank equally in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares. The Consideration Shares were issued under a specific mandate approved by the independent shareholders of the Company at an extraordinary general meeting held on 16 March 2016 ("EGM"). The Equity Transfer completed on 30 June 2016.

On 14 December 2015, the Company and CECH entered into a subscription agreement (the "CECH Subscription Agreement") pursuant to which the Company had conditionally agreed to allot and issue, and CECH had conditionally agreed to subscribe in cash, 1,491,469,917 new Shares (the "CECH Subscription Shares"), credited as fully paid, at the subscription price of HK\$0.8 per CECH Subscription Share (the "CECH Subscription"). The CECH Subscription Shares rank equally in all respects with Shares in issue on the date of allotment and issue of the CECH Subscription Shares. The CECH Subscription Shares were issued under the specific mandate approved by the independent shareholders of the Company at the EGM. The CECH Subscription completed on 30 June 2016.

On 14 December 2015, the Company and China Everbright Securities (HK) Limited ("China Everbright") (as placing agent), entered into a placing agreement (the "Placing Agreement") whereby China Everbright had conditionally agreed to place, on a fully underwritten basis, a total of 1,450,000,000 placing shares (the "Placing Shares") (failing which China Everbright would subscribe for the untaken Placing Shares) to not less than six placees at the placing price of HK\$0.8 per Placing Share (the "Placing"). The Placing Shares were issued under the specific mandate approved by the independent shareholders of the Company at the EGM. The Placing completed on 30 June 2016.

Following the completion of the abovementioned transactions, CECH became the largest shareholder of the Company and CEC Technology became a wholly-owned subsidiary of the Company.

# Management Discussion and Analysis (Continued)

## Material Disposals

On 17 November 2015, Wuhan Optics Valley Union (as vendor), entered into a sale and purchase agreement with Hubei Science & Technology Investment (as purchaser), for the conditional sale and purchase of its 70% equity interest in Energy Conservation Technology Park, together with the loan owed by Energy Conservation Technology Park to Wuhan Optics Valley Union, for a consideration of RMB267,310,000.

On the same day, Wuhan Optics Valley Union (as vendor) entered into another sale and purchase agreement with Hubei Science & Technology Investment (as purchaser), for the conditional sale and purchase of its 70% equity interest in Wuhan Financial Harbour Development together with the loan owed by Wuhan Financial Harbour Development to Wuhan Optics Valley Union, for a consideration of RMB270,122,000.

Accordingly, assets and liabilities of these companies were presented as disposal group held for sale as at 31 December 2015.

On 16 January 2016, the underlying transactions pursuant to the abovementioned sale and purchase agreements (the "Disposals") were approved by the independent shareholders of the Company. The Disposals were completed on 18 January 2016 and the Group has received the remaining consideration of RMB187,432,000. The Disposals resulted in a disposal gain of RMB128,559,000 and a decrease in non-controlling interests of RMB119,941,000. Following the completion of the Disposals, the Group no longer has any equity interest in Energy Conservation Technology Park and Wuhan Financial Harbour Development, and these companies ceased to be subsidiaries of the Company.

## Employees

As at 31 December 2016, the Group had 4,700 full-time employees. The employment cost of the Group was approximately RMB324.9 million for the year ended 31 December 2016. The Group enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. Remuneration of its employees includes basic salaries, allowance, bonuses and other employee benefits. The Group has implemented measures for assessing employee performance and promotion and the system of employee compensation and benefits. The remuneration packages of its employees include salaries and bonuses. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority.

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

## Pledged Assets

As at 31 December 2016, the Group had pledged certain of its assets with a total net book value of RMB3,056.6 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 and property, plant and equipment and restricted cash.

# Management Discussion and Analysis (Continued)

## Market Risks

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

### Liquidity Risk

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

### Interest Rate Risk

The Group is exposed to interest rate risks, primarily relating to its bank loans and other borrowings, which had an outstanding amount of RMB2,653.0 million as at 31 December 2016. The Group undertakes debt obligations to support its property development and general working capital needs. Soaring interest rates may increase the cost of its financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of its debt obligations. The Group currently does not carry out any hedging activities to manage its interest rate risk.

### Foreign Exchange Risk

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

### Credit Risk

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

## Event after Balance Sheet Date

On 25 January 2017, the Company and China Electronics Optics Valley Union Company Limited (the "Vendor") entered into an equity transfer agreement with Excellence Real Estate Group Limited\* (卓越置業集團有限公司, the "Purchaser") and CEC Technology, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 50% of the equity interest in CEC Technology, for a consideration of RMB350 million (the "Disposal"). The Disposal has not been completed as at the date of this annual report.

For the major events that occurred after the balance sheet date, please refer to note 41 to the Consolidated Financial Statements on page 194.

# Investor Relations

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

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



# Environment, Social and Governance Report

## Introduction

This Environmental, Social and Governance Report (the "ESG Report") aims to review the works and performance of the Group in environment, society and corporate governance aspects during the Reporting Period, to disclose the social responsibilities undertaken by the Group, its philosophy on sustainable development, and its responses to significant issues that stakeholders are concerned about, so as to provide a platform for interactive communication and understanding.

The Reporting Period of the ESG Report is from 1 January 2016 to 31 December 2016. The organizations covered in the ESG Report are China Electronics Optics Valley Union Holding Company Limited and its subsidiaries, but CEC Technology, which was acquired by the Group on 30 June 2016, is not included.

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix 27 of the Listing Rules of the Stock Exchange and all data in this report are sourced from third party surveys, third party evaluations, published media reports, published government data and official documents or statistic reports. The Group undertakes that the information contained in this report is true, accurate and complete and contains no false records, misleading statements or material omissions.

## The Environmental, Social and Governance Management Principle

Adhering to our philosophy of "Building our city, Promoting our industry, Creating a bright future together", we have consistently improved our standard of corporate governance and cooperated with our stakeholders to promote environmental and social development. We gained knowledge of different industries, requirements and experiences of construction solutions of themed industrial parks of the city through continuous innovations and explorations. Thus, our core competitiveness advantage in four aspects, namely industrial parks, construction and management, marketing and promotion, industrial parks operation, are consolidated, laying a solid foundation for our sustainable development.

Being a modern intelligent industrial parks operation and services supplier, we adhere to our strategy of combining project development and city construction as well as integrating various businesses, including development and construction, business solicitation for parks, operation and management, integrated services for the establishment of corporate ecosystem, i.e., whole life-cycle operation services of industrial parks. On the basis of the integrated industrial parks business, we develop and innovate DHC business as well as establishing and improving the "1+4" intelligent park whole life-cycle management cloud platform to provide all-encompassing, comprehensive and integrated services to our clients. Meanwhile, through providing support to regional economic development, we assist the government by providing solutions to sustainable development problems in urban construction. In doing so, we have created value for the city and gained recognition and support from the public.

"Every staff of the "Company" has a blueprint in his/her mind, to develop the best themed technology industrial park in China, and to solve the problems of integrating urbanization and industrialization through our projects, thereby achieving a more harmonious and greater level of development in construction the economy, humanity and the environment," expressed Mr. Huang Liping, Chairman of the Board of the Group.

# Environment, Social and Governance Report (Continued)

## Stakeholders' Participation and Communication

We understand that trust and support from various sectors in the society are important to the sustainable development of an enterprise. As such, we organize communications and interactions with our stakeholders actively, and established a diversified communication platform and system to obtain opinions and suggestions from government authorities, industry associations, shareholders, employees, suppliers, customers, consumers and the public, and strive to satisfy their expectations and needs.

Stakeholders	Concerns and requirements	Responses and feedback from the Company	Method of engagement
Government	Lawful operations and tax payment;  Support economic development.	Compliant operations, strict control of legal risks;  Proactive and timely tax payment, willingness to comply with taxation checks;  Support government authorities in regional economic developments, such as consultation on regional development planning.	Maintain communication with relevant government authorities on legal and compliance matters;  Establish a legal office dedicated to handle legal matters and compliance examinations.
Associations of real estate industry	Ensure that the quality and safety of properties meet industry standards.	Implement a comprehensive management system for project management; construct according to product quality, safety, environmentally-friendly and other relevant standards.	Consult industry standards and updates in a timely manner;  Participate in selection campaigns regarding industry standards of quality and environmentally-friendly measures.
Shareholders and Investors	Ensure the Company has a sustainable revenue, and guarantee the appropriateness of the capital invested;  Ensure the completeness, truthfulness, timeliness, and effectiveness of information disclosure.	Continually enhance the standards of operation management, governance and risk management, to ensure continuous, steady, increasing and long-term returns;  Develop scientific, reasonable and efficient corporate governance structure and a standardized comprehensive information disclosure system.	Shareholders' meetings;  Annual reports;  Official announcements on enterprise's website.

# Environment, Social and Governance Report (Continued)

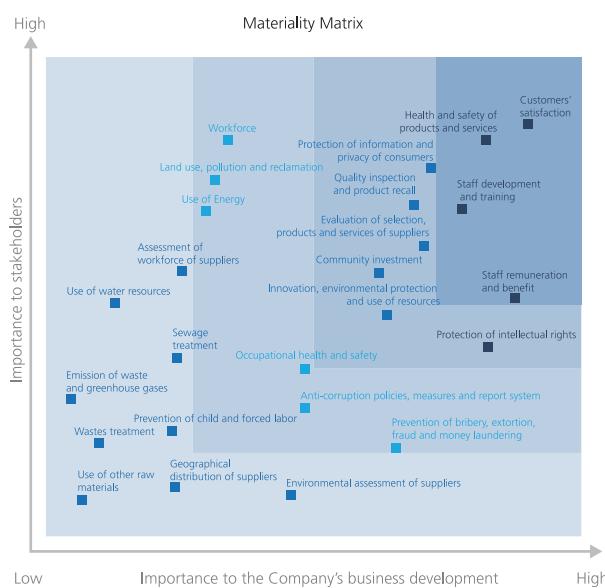
<b>Stakeholders</b>	<b>Concerns and requirements</b>	<b>Responses and feedback from the Company</b>	<b>Method of engagement</b>
Employees	<p>Healthy and safe working environment;</p> <p>Fair opportunities of competition, promotion and development;</p> <p>Protection of salary and benefit.</p>	<p>Ensure a favorable working environment;</p> <p>implement a comprehensive training system;</p> <p>Implement a thorough system of salary, benefits and promotion;</p> <p>Organize diversified cultural and sports activities.</p>	<p>Establish a committee dedicated to ensure safe productions;</p> <p>Performance feedback and communications;</p> <p>Direct communications;</p> <p>Labor union of the Group.</p>
Suppliers (partners)	<p>Fair, open and just bidding process;</p> <p>Win-win, long-term and operations with integrity.</p>	<p>Establish systematic regulations such as "Implementation Measures on Collective Purchase of the Group" and "Administrative Measures on Projects"</p> <p>Establishment and Tendering of the Group" to regulate the tendering procedures;</p> <p>Enter into long-term strategic cooperation agreements.</p>	<p>Review and evaluate suppliers;</p> <p>Public tender, commence various co-operations according to the relevant contracts and laws.</p>
Customers and consumers	High standard of products and services, protection of customers and consumers' rights and interests.	Ensure customer satisfaction is the highest priority, by providing high quality products and services, and implementing a system to regulate and ensure information protection and privacy.	<p>Customer hotline;</p> <p>Official website, Weibo and WeChat accounts and other communication channels of the Group.</p>
The public	<p>Engage actively in the development and construction of the city, and focus on environmentally-friendly and safe production;</p> <p>Engage actively in social welfare activities and assume corporate social responsibilities actively.</p>	<p>Engage actively in the construction of parks and other community facilities, organize interactive activities to enrich the daily lives of the residents at the parks;</p> <p>Make use of art museums as platforms to promote arts and humanities and enrich the spiritual lives of the community.</p>	<p>Media reports;</p> <p>Annual reports;</p> <p>Official website, Weibo and WeChat accounts promotions.</p>

# Environment, Social and Governance Report (Continued)

## Materiality Assessment

During the Reporting Period, the Group appointed a third party professional institution to communicate with and conduct research on its external and internal stakeholders. This helped CEOVU to further understand the expectations and demands of its stakeholders, strengthen communication with them and make this report more purposeful and responsive.

We took into account the degree of attention and business relevance of stakeholders through questionnaires, panel discussions and telephone interviews and developed the materiality matrix of the Group in relation to the environment, society and governance. We have identified the critical issues following the review by our management and external experts. The materiality matrix helped us gain insight into stakeholders' opinions, pay more attention and respond actively to the critical issues which our stakeholders are concerned about. We prioritized in giving a realistic, transparent and targeted response to the critical issues identified in this annual report while meeting the disclosure requirements of "comply or explain" provisions of general disclosures and key performance indicators under the Guide.



### Critical Issues

- 1 Customer satisfaction
- 2 Health and safety of products and services
- 3 Employee development and training
- 4 Staff salary and benefit package
- 5 Protection of consumer information and privacy
- 6 Quality check and product re-collection
- 7 Selection of suppliers, evaluation of products and services
- 8 Investment in community
- 9 Safeguarding and protection of intellectual property
- 10 Environmentally-friendly innovations and utilization of resources

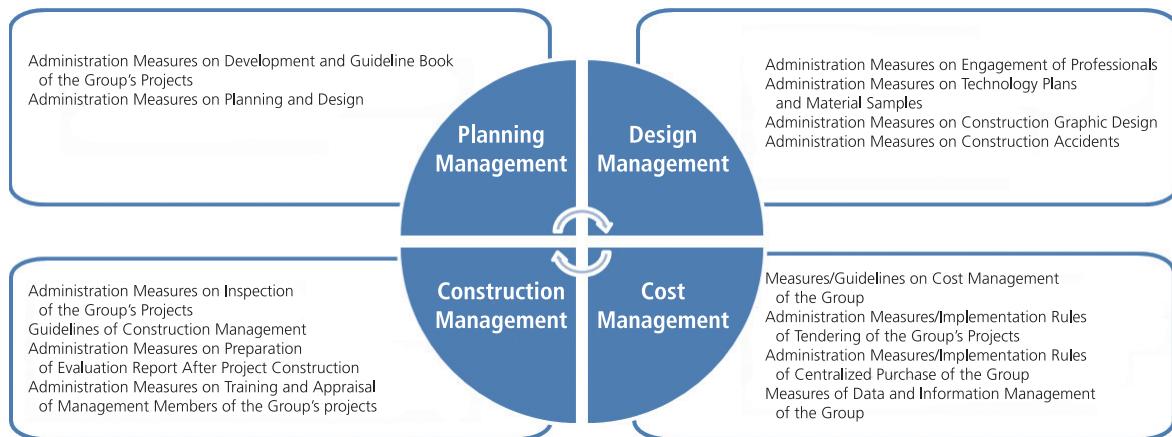
## Product Responsibility

The Group strives to ensure the safely and outstanding quality of the products and services provided through implementing an internal control and management system, and complying with the relevant national and local laws and regulations. During the Reporting Period, there were no non-compliances in relation to health and safety, advertising, labelling and privacy issues involving our products and services.

# Environment, Social and Governance Report (Continued)

## Construction and development of industrial parks

We believe that customers are our best teachers, and dedicate to setting "customer satisfaction as the most important standard. In constructing and developing industrial parks, we established a "four-in-one" project management system after years of exploration and accumulation of experience:



In addition, we organized a series of trainings on common problems in project quality and their prevention, so as to enhance the prevention consciousness of the project development team to these problems, and improve product quality management. For example, through the "ways of anti-leakage joint(防滲漏節點做法)" training, we helped the project development team master the anti-leakage process and find quality control points to avoid product quality loopholes during product development processes. During the project development process, the Group implemented a monthly inspection procedure, carried out regular inspection on key joints and tracked the whole process of project development, ensuring that no real estate products with potential health and safety risks will be delivered.

## Hotels and Catering

The Ziyuan Hotel of the Group preferentially selects high-quality suppliers with health certificates to ensure that the ingredients meet the food hygiene and safety standards at their source. We established the following testing procedures and indicator systems:

- establishing a product quality and safety system and technical indicators of quality to ensure food hygiene and safety;
- implementing a testing procedure for vegetable pesticide residues to safeguard the health and quality of hotel catering products;
- establishing a substandard food recall and tracking process and detecting and dealing with substandard food in a timely manner.

We believe that product health and safety is the cornerstone of a company. Always acting from our customers and consumers' point of view, we constantly improve our internal control system and risk prevention mechanisms, and strive to provide quality products and services.

# Environment, Social and Governance Report (Continued)

## Advertisement and Labels of Products and Services

We compiled the "Manual of Corporate Identification System" (《企業識別系統手冊》) and "Guideline for Brand Marketing" (《品牌營銷工作指南》) in accordance with national laws and regulations, such as "The Advertising Law of the People's Republic of China" (《中華人民共和國廣告法》) as part of our efforts to standardize the advertising and promotional activities of products and services, as well as the use of signs and logos to create a corporate brand image.

## Customer Privacy Protection

We believe that the protection of customer and consumer privacy is a basic requirement of customer satisfaction and insist on being an enterprise that customers and consumers can trust. As such, we developed a "customer information confidentiality system" to standardize confidentiality measures during daily operations, and to protect the safety of customer and consumer information. At the same time, we developed remedial and accountability measures for information leaks of different severity to ensure strict customer privacy protection.

## Cooperation with the Government

We focus on boosting regional economic development and creating value for the city. The Company's unique development and operation model, which is highly valued by the central and local government at all levels, has promoted the cooperation between the Company and the government. As at 31 December 2016, CEOVU actively cooperated with local governments to participate in a number of themed industrial parks development projects, including Biolake, Wuhan Hi-tech Medical Devices Business Park, Wuhan Future Technology City Qibu Region, Phase II of Luoyang Dengling Valley and Phase II of Jiangtong Animation Industrial Park.

On 31 March 2016, Mr. Pan Liguo, the Mayor of Shenyang city, signed a framework agreement in relation to the development of Phase II of Shenyang ONU Science and Technology City with the Group. The parties also discussed about the cooperation on the construction of an intelligent city. Mr. Pan Liguo also presented the appointment letter of "Work Consultant of Shenyang Municipal People's Government" to Mr. Huang Liping, the chairman of the Group, on behalf of the Shenyang municipal government.



# Environment, Social and Governance Report (Continued)

In September 2016, we reached a cooperation framework agreement with the Administrative Committee of Yueqing Economic Development Zone, under which we carried out pre-market research and developed a comprehensive development strategy on "Yueqing Medical Town", a health industrial park, and continued to carry out in-depth cooperation in accordance with the research results. As of 31 December 2016, the Group has signed 13 cooperation agreements with "Yueqing Medical Town" involving project investment and investment in talent employment.

## Supply Chain Management

We emphasize on our mutual development with suppliers, and actively promote our cooperation with suppliers in good faith to improve the supply chain environment and management of social risk. To do so, we established supply chain management systems such as the "Implementation Measures on Collective Purchase of the Group (《集團集中採購實施細則》)" and the "Administrative Measures on Projects Establishment and Tendering of the Group 《集團項目立項招標管理辦法》" to standardize supplier selection and assessment of the Group and its subsidiary engaged in city development:

- carrying out strict preliminary reviews on bidders to ensure qualification compliance and competence;
- inviting bids in an open and fair manner to create a transparent and honest cooperation atmosphere;
- conducting periodic assessment on the supplier chain environment and management of social risks of suppliers, and continuously monitoring their product and service quality.

The suppliers of industrial park development business are mainly construction service contractors, including construction contractors, fire engineering contractors and elevator installation engineering service providers. They also include construction equipment and materials (such as air conditioning equipment, elevator equipment, glass, paint, finished doors and windows and doors hardware fittings) suppliers. As of 31 December 2016, CEOVU maintained good and long-standing relationships with over 120 suppliers by taking advantage of the above supply chain management system.

## Anti-corruption

We advocate a culture of integrity, honesty and fairness among our Group, and have established internal risk controls and monitoring systems to standardize internal operating activities and staff behaviors to prevent bribery, extortion, fraud, corruption and money laundering. During the Reporting Period, none of the Group or its employees was involved in any litigations arising from bribery, extortion, fraud, corruption and anti-money laundering.

# Environment, Social and Governance Report (Continued)

## Our Employees

### Employee recruitment

We strictly abide by the "Labor Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Labor Contract Law" (《勞動合同法》) and other relevant laws and regulations, respect and safeguard human rights, prohibit the use of child labor and strive to eliminate forced labor. During the Reporting Period, the Group was not involved in any use of child labor and forced labor.

Pursuant to our philosophy of an efficient and flexible allocation and use of talents, we developed the "Measures for Administration of Employee Recruitment (《員工招聘管理辦法》)". These measures define the Company's talents recruitment and evaluation mechanism, and require recruitment to take work experience, technical skills and performance as key reference indicators, irrespective of age, education background, gender, nationality, race, sexual orientation, physical disability or marital status. We also adhere to the recruitment principles of justice, equality, diversity and anti-discrimination. As of 31 December 2016, we have 4,700 employees, of which 49% are female employees.

### Employee benefit and promotion

We formulated the "Measures for Administration of Compensation and Benefits (《薪酬福利管理辦法》)" and provided employees with social insurance, paid statutory leaves, labor insurance premium, overtime pay, provision of lunch and other welfare benefits, so that employees can integrate their interests with the development goals of the Company, thereby creating value for the Company.

At the same time, we formulated the "Measures for Administration of Job Performance (《崗位績效管理辦法》)" and the "Measures for Administration of Employee Promotion (《員工晉升管理辦法》)" to determine employee promotions based on work performance and competence, and encourage employees to create value proactively and achieve personal growth.

# Environment, Social and Governance Report (Continued)

## Employee training and development

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

The "Stars of Optics Valley" is a campus recruitment project established by the Group in October 2011, through which the Group aims to build up its human resources, and nurture talents, so as to support CEOVU's development. For employees selected by the "Stars of Optics Valley" project, we developed targeted training programs, including "Stars of Optics Valley" special training camp, executive meetings, "Stars of Optics Valley" EQ training, "Stars of Optics Valley" business communication and collaboration training and micro-program design and development, so as to cultivate these employees in various aspects and to improve their professional skills and leadership.



## Employee health

We strictly comply with the "Law of the People's Republic of China on the Protection of Labor Rights and Interests" (《中华人民共和国劳动者权益保护法》) and other applicable laws and regulations. We carry out our philosophy of "fundamental care and concern" by building a good working and living environment for every employee at CEOVU, such as by providing staff canteens, office fitness centers, annual physical examinations, thus safeguarding the physical and mental health of our employees. At the same time, we actively organize a variety of cultural and sports activities, such as blind dates, photography contests and badminton matches, to enrich our employees' daily life and cultivate their healthy interests and exercise habits, thereby safeguarding them from occupational diseases. During the Reporting Period, no employees died as a result of occupational hazards or safety accidents.

# Environment, Social and Governance Report (Continued)

The Second “Optics Valley Union” Badminton Match



Christmas Long Distance Running Competition



## Innovative Technology and Energy Conservation and Environmental Protection

### Development concept of green civilization

As an enterprise concerned about urban development, we attach great importance to environmental protection and resource conservation, implement green civilization development, and integrate the sustainable development concept of green environmental protection into every aspect of our operation and every milestone in the development and construction of themed industrial parks.

System Regulations	Project Positioning	Construction Management
Establish multiple administrative measures including “On-site Civilized Construction Administration Measures” and “Construction Administration Measures of Water and Electricity”, noise and dust management regulations, waste and sewage disposal management plans to ensure construction waste is managed according to different categories and disposed in strict compliance with national requirements to minimize environmental impacts.	Blend business parks into the natural environment harmoniously; ensure harmonious development of both urban construction and natural environment based on three perspectives, including business park layout, construction site selection and exterior design with sufficient research on numerous factors (such as conservation of energy, water, land and resources and environmental quality).	Attach great importance to control the use of water and electricity at the work site; to implement systems to dedicate the responsibilities to specific persons for connecting water sources, pipes and electric circuits installation and maintenance; at the same time adopt accountability system for the loss due to wastage of water and electricity as a result of excessive use; these measures effectively enhanced the efficiency of water and electricity usage and reduced the wastage of water and electricity resources.

# Environment, Social and Governance Report (Continued)

We minimize the effect of our daily operations on the environment through strict compliance with national and regional laws and regulations, including the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》) and the "Atmospheric Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國大氣污染防治法》). At the same time, we actively advocate the concept of environmental protection and energy-saving, and adopt the following measures to promote a green low-carbon life:

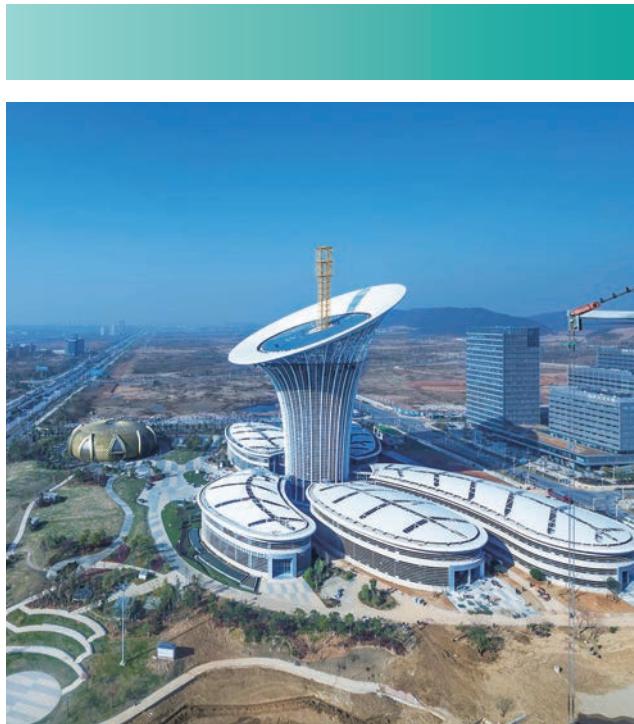
- comprehensively promoting an electronic working environment to reduce the use of office paper;
- the subsidiaries of the Group setting up energy conservation committees and an accountability system for energy saving and consumption reduction to urge green and low carbon daily operations;
- formulating the Promotion, Measures and Results of Energy Saving and Environmental Protection (《節能環保的宣傳、措施和成果》) regulations to standardize the daily energy-saving and environmental protection measures and their implementation;
- posting energy-saving and consumption reduction signs in parks and promoting and raising environmental protection awareness of our employees, consumers and customers; and
- encouraging our employees' to participate in environmental protection activities, such as "Earth Hour" and "Flea Market".

## Green building model — Wuhan New Energy Research Institute

In June 2016, Building B and D of Wuhan New Energy Research Institute, which was developed by the Group in accordance with the "international leading and world-class" standards, was awarded the highest level of the China Evaluation Standard for Green Building—3-star (the first in Hubei province in 2016), making it a green building model.

Certificate of Green Building 3-star

"Matilian" New Energy Research Institute



# Environment, Social and Governance Report (Continued)

## Frontier Technology of Innovative Environmental Protection — DHC Regional Energy Technology

Adhering to the development ideology of “multi-win green construction”, Optics Valley Energy Conservation Technology Co., Ltd (a member company of our Group) continues to strengthen its innovation in respect of DHC regional energy technology, and it received four patents during the year. The Company determined a number of methods to protect intellectual property rights, including the Intellectual Property Right Management System, Patent Management Methods and Trademark Management Methods. Based on the accumulated technology capability and operation service practice over the past few years, the Company exerted itself in establishing the regional energy service system, and pushed forward development, exploration and practice of the DHC market.



# Environment, Social and Governance Report (Continued)

Till now, Optics Valley Energy Conservation Technology Co., Ltd. has completed technical supports and services for 19 market development projects. The area which DHC regional energy technology is able to provide energy service reached 1,600,000 sq.m., serving 293 customers. According to reliable data obtained from third parties, the CO<sub>2</sub> emission by the DHC system throughout 2016 was almost 95,000 tons less than the normal central air conditioning system serving the same area. With respect to innovation of environmental protection technology, the Group strived to keep up with the latest developments, aiming to be the pioneer in energy conservation and environmental protection technology.

## Community Investment

We have always regarded "Always be Grateful" as the code of conduct for the enterprise and staff. As such, we play an active role in participating in community development and construction while achieving commercial value of our projects. In particular, we have organized diversified social activities at our parks and communities, endeavoring to give back to the residents in our parks and property owners and to create a harmonious atmosphere that promotes the sustainable development of business parks and communities. Currently, the Group mainly carries out works in the three areas of humanity and arts education, business park construction and entrepreneurship supports.

## Art Promotion and Dissemination

United Art Museum is an essential platform of CEOVU to promote art and humanities education. During the Reporting Period, United Art Museum has in total held 9 art exhibitions, each of them lasting for at least two months. Under its operating policy of "Let Contemporary Art be Appreciated by Public", United Art Museum targets to exhibit influential contemporary work of art, so as to advocate contemporary art philosophical thinking and promote art and humanity education.



## Environment, Social and Governance Report (Continued)

United Art Museum is not only a public welfare museum, but also a communication platform for entrepreneurs, artists and educators. During the Reporting Period, United Art Museum has held numerous influential and meaningful academic and artistic forums and seminars, such as "Wang Guangyi Existing in Transcendent\* (王廣義存在於超驗)" and "Contemporary Young Art\* (當代青年藝術說)". We organized numerous exchanges and interactive sessions for various keen and professional visionaries in art, representatives from important business park entrepreneurs and educators. We firmly believes that art can enlighten communities, encourage the public's emphasis on the society, and inspirations for aesthetics. Promotion and communication in respect of art and humanity would definitely enhance a harmonious development of communities, and create more value for the society.

The exhibition site



### Culture Building within Business Parks

We have always cared about our resident enterprises. We have actively strengthened cultural facilities within parks to deliver a harmonious atmosphere while providing quality business operation services. During the Reporting Period, we sponsored a number of interactive activities among various enterprises at our business parks, including evening parties, social gatherings, food tasting events, sports gala, Easter celebration, etc, attracting over 600 participants. Through these activities, the distance between resident enterprises shortened, and the daily lives of the staff at business parks are enriched.

## Environment, Social and Governance Report (Continued)

We also care about the growth of young and newly established enterprises, and provide a lot of assistance and support to them, which include human resources training, online recruitment platforms, and a variety of lectures and talks. In September 2016, with the substantial support from Wuhan Hongshan district government, CEOVU sponsored the "Internet-of-things and Innovation & Entrepreneurship Conference for 2016 – Kevin Kelly's Journey to Wuhan" in Wuhan. Kevin Kelly, dubbed the "Spiritual Godfather of Silicon Valley", was invited to share his view and discuss with representatives from various enterprises engaging in Internet business in relation to the developmental trend of business technology in the future. The discussion was thought-provoking and enlightening, sparking a strong desire and encouragement for enterprises to work towards a brighter future.



Kevin Kelly at the conference



# Directors and Senior Management

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

## Executive Directors

**Mr. Huang Liping (黃立平)**, aged 55, is the chairman of the Board, an executive Director, the president and chairman of the Nomination Committee and a member of the Financial Control Committee of the Company. Mr. Huang joined the Group in 1998, and was appointed as a Director on 15 July 2013. He is responsible for the overall strategy, business and investment planning of the Group. Mr. Huang has over 23 years of experience in business management. He was one of the founders of Hongtao K Group Company Limited\* (紅桃開集團股份有限公司). He also served as a director and the chairman of the board of Wuhan East Lake High Technology, a company listed on the Shanghai Stock Exchange (Shanghai stock code: 600133). Mr. Huang was the vice chairman of Wuhan United Real Estate from September 1998 to December 2002 and has been the chairman of the board of Wuhan United Real Estate since December 2002. He has also been the chairman of the board of Wuhan Optics Valley Union since June 2005.

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

**Mr. Hu Bin (胡斌)**, aged 48, is an executive Director and the executive president and member of the Remuneration Committee of the Company. Mr. Hu joined the Group in 1997 and was appointed as a Director on 6 March 2014. He is responsible for assisting the president of the Group on the overall business operation and management. He has been a vice general manager of Wuhan United Real Estate since 1997 and a director of Wuhan Optics Valley Union Group Company Limited since July 2005 (including serving as a vice chairman since May 2011). Mr. Hu has 19 years of experience in business management. Mr. Hu graduated from Hubei University of Economics (湖北經濟學院) (formerly known as Hubei Planning and Management Cadres College (湖北省計劃管理幹部學院)) in the bachelor's program of national economic management and from South-Central University for Nationalities (中南民族大學) in the master's program of China's ethnic economy in June 2003. He obtained the qualification as a senior economist in real estate. Mr. Hu was awarded One of the China Real Estate Top 100\* (中國房地產百傑) in 2006 and Medal of May Day Honorable Workers in Wuhan\* (武漢五一勞動獎章) in April 2012.

# Directors and Senior Management (Continued)

## Non-Executive Directors

**Mr. Lu Jun (盧俊)**, aged 56, is a non-executive Director of the Company appointed on 6 March 2014. Mr. Lu has 36 years of experience in business management. Mr. Lu joined the Group in September 2008 and has held various positions within the Group, including being the supervisor of Wuhan Optics Valley Union from September 2008 to October 2010 and director of Wuhan Optics Valley Union from October 2010 to August 2015 (including the vice chairman of its board from May 2011 to August 2015). Mr. Lu is the chairman of the board of Hubei Science & Technology Investment. Mr. Lu held senior positions with Changfa Group's Wuhan Company, Wuhan East Lake New Technology Development Zone Co., Ltd.\* (武漢東湖新技術開發區發展總公司) and Wuhan Hi-Tech Holding Group Co., Ltd.\* (武漢高科國有控股集團有限公司). He also served as vice director of Wuhan Municipal Bureau of Finance, the chief in Productivity Promotion Center of East Lake New Technology Development Zone and the chief of Land Reserve Center of East Lake Development Zone. Mr. Lu was recognized as an outstanding party affairs worker by the Wuhan Committee of the Communist Party of China in June 2011.

**Mr. Zhang Jie (張傑)**, aged 47, is a non-executive Director of the Company appointed on 12 June 2014. Mr. Zhang has over 21 years of experience in real estate management. Mr. Zhang is currently the general manager of the property construction and operation centre of Sunshine Insurance Group Corporation Limited\* (陽光保險集團股份有限公司), the Chairman of Beijing Sunshine Ronghe Property Company Limited\* (北京陽光融和置業有限公司), a shareholder of the Company, and the managing director of Hainan Sunshine Yihe Development Company Limited\* (海南陽光頤和發展有限公司) and Hainan Sunshine Xinhai Development Company Limited\* (海南陽光鑫海發展有限公司), both being subsidiaries of Sunshine Insurance Group Corporation Limited. Mr. Zhang worked with COFCO Corporation (中糧集團有限公司) from August 1993 to November 2011, during which he served as the assistant manager of three departments at COFCO Property Development Company Limited\* (中糧置業發展有限公司), namely: the management department, the technology and equipment department and the director of engineering, assistant to the president and subsequently vice president of Sanya Yalong Development Company Limited\* (三亞亞龍灣開發股份有限公司). Mr. Zhang was a committee member of the Sanya Municipal Committee of the Fifth Chinese People's Political Consultative Conference from January 2007 to January 2012, and has been a member of the Standing Committee of the Sanya Municipal Committee of the Sixth Chinese People's Political Consultative Conference since January 2012. Mr. Zhang has also been the vice president of the Sanya Real Estate Association since 2002. Mr. Zhang graduated from Tsinghua University with a bachelor's degree in engineering in June 1993, and obtained a master's degree in engineering majoring in real estate management from Tsinghua University in May 2004. Mr. Zhang obtained a certificate of national registered real estate appraiser issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China in May 1998, and a certificate of supervising engineer issued by the Beijing Municipal Commission of Housing and Urban-Rural Development in December 1998.

**Ms. Wang Qiuju (王秋菊)**, aged 50, is a non-executive Director of the Company appointed on 29 December 2016. Ms. Wang is a member of the Audit Committee. Ms. Wang is currently the financial controller of CECH (Hong Kong Stock Code: 00085) (the controlling shareholder of the Company), a director of Zhuhai Southern Software Park Development Co., Ltd.\* (珠海南方軟件園發展有限公司), a subsidiary of China Electronics International Information Service Co., Ltd\* (中國中電國際信息服務有限公司) (a subsidiary of CEC), and a member of the supervising committee of Shenzhen SED Industry Co., Ltd. (Shenzhen Stock Code: 000032) (an indirect subsidiary of CEC). Ms. Wang was previously the head of the finance department, financial controller, chief accountant and general manager of the finance department of China Electronics International Information Service Co., Ltd. Ms. Wang graduated from Hangzhou University of Electronics and Technology\* (杭州電子工業學院) with a bachelor's degree in industrial financial accounting and from the School of Economics of Xiamen University with a master's degree in finance. Ms. Wang is also qualified as a senior accountant.

## Directors and Senior Management (Continued)

**Mr. Xiang Qunxiong** (向群雄), aged 52, is a non-executive Director of the Company appointed on 29 December 2016. Mr. Xiang is currently the vice general manager and the principal legal consultant of China Electronics Shenzhen Company Limited\* (深圳中電投資股份有限公司) (an indirect subsidiary of CEC) and a consultant of CECH. Mr. Xiang has held various positions in China Electronics Shenzhen Company Limited, including being the legal consultant, deputy director in charge of the legal affairs department, head of the general manager's office and head of legal affairs. Mr. Xiang was admitted to practise law in the People's Republic of China and is a registered corporate lawyer. He was granted the second class legal consultant title for state-owned companies of the People's Republic of China in January 2015 and was engaged as an arbitrator by the Shenzhen Arbitration Commission in June 2016. Mr. Xiang graduated from Zhongnan University of Economics and Law (formerly known as Zhongnan Institute of Politics and Law) with a master's degree in law in January 1993.

### Independent Non-Executive Directors

**Mr. Qi Min** (齊民), aged 66, is an independent non-executive Director of the Company appointed on 28 March 2014. Mr. Qi is the chairman of the Remuneration Committee, and a member of the Audit Committee and Nomination Committee of the Company. Mr. Qi previously worked in Hubei Provincial Bureau of Statistics, general office and research office of Hubei Provincial Government, and served as a director of fiscal office of CPC Hubei Province (中共湖北省委). He served as a director and a vice general manager of Hubei Qingjiang Hydroelectric Development Co., Ltd.\* (湖北清江水電開發有限責任公司), the vice general manager and a director of Wuhan Hi-Tech Holding Group Co., Ltd.\* (武漢高科國有控股集團有限公司), the chairman of board of Wuhan Sante Cableway Group Co., Ltd.\* (武漢三特索道集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen stock code: 002159) and a part-time professor of Huazhong University of Science and Technology (formerly known as Huazhong University of Science). Mr. Qi is also the vice president of Hubei Association of Economics, and a supervisor of Humanwell Healthcare Group Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai stock code: 600079). Mr. Qi obtained his bachelor's degree in economics from Wuhan University (武漢大學) in August 1982 and obtained his doctor's degree in economics from Huazhong University of Science and Technology (華中科技大學) in June 2002. He was granted the qualification as a senior economist. Mr. Qi was granted the award China's Outstanding Entrepreneur in Technology Companies in November 2002.

**Mr. Leung Man Kit** (梁民傑), aged 63, is an independent non-executive Director of the Company appointed on 28 March 2014. Mr. Leung is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Leung is an executive director of Unitas Holdings Limited, a company listed on the Stock Exchange (Hong Kong stock code: 8020), an independent non-executive director of NetEase (NASDAQ: NTES), a NASDAQ listed company, China Ting Group Holdings Limited, a company listed on the Stock Exchange (Hong Kong stock code: 3398), Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company listed on the Stock Exchange (Hong Kong stock code: 1132), China Huiyuan Juice Group Limited, a company listed on the Stock Exchange (Hong Kong stock code: 1886) and Luye Pharma Group Ltd., a company listed on the Stock Exchange (Hong Kong stock code: 2186).

Mr. Leung held senior positions with Peregrine Capital Limited, SG Securities (HK) Limited (formerly known as Crosby Securities (HK) Limited) and UBS, AG, Hong Kong Branch. Mr. Leung was a director of Emerging Markets Partnership (Hong Kong) Limited, the principal advisor to the AIG Infrastructure Fund L.P., a director of Nuada Capital Limited (formerly known as Genesis Global Strategies Limited) and a corporate finance executive of BZR Capital Limited. Mr. Leung was an independent non-executive director of Infoserve Technology Corp., a company listed on the Stock Exchange (former Hong Kong stock code: 8077), Anhui Expressway Company Limited, a company listed on the Stock Exchange (Hong Kong stock code: 0995), and Junefield Department Store Group Limited, a company listed on the Stock Exchange (Hong Kong stock code: 0758). Mr. Leung has 14 years of experience in financial management. He has been the chairman of the audit committee of various listed companies, and attended seminars in accounting or auditing. Mr. Leung obtained his bachelor's degree in social science from the University of Hong Kong in October 1977.

## Directors and Senior Management (Continued)

**Ms. Zhang Shuqin** (張樹勤), aged 63, is an independent non-executive Director of the Company appointed on 28 March 2014. She is a member of the Remuneration Committee and the Nomination Committee of the Company. Ms. Zhang was appointed as an independent non-executive director of Wuhan Optics Valley Union in April 2011. Ms. Zhang founded Hubei Dasheng Law Firm\* (湖北大晟律師事務所) in 1995 and has been a managing partner of the firm since then. Hubei Dasheng Law Firm was engaged by a subsidiary of Hubei Science & Technology Investment as its legal compliance advisor with a term from May 2014 to May 2017. As confirmed by Ms. Zhang, the legal fee received by Hubei Dasheng Law Firm from such subsidiary is insignificant as compared to the firm's total revenue. Ms. Zhang was engaged as an arbitrator by Wuhan Arbitration Commission in January 1997. Ms. Zhang ceased to be an independent non-executive director of Wuhan Gaode Hongwai Group Company Limited\* (武漢高德紅外股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen stock code: 002414), since April 2014. Ms. Zhang obtained her bachelor's degree in Chinese from Central China Normal University (華中師範大學) in January 1982. She holds the title of first grade lawyer. Ms. Zhang was awarded as one of the Outstanding Lawyers in 1987 and 1989 and one of the Capable Women in Wuhan\* (武漢市女能人) in the Year of 1992 by Wuhan Federation of Trade Unions.

### Senior Management

**Ms. Chen Huifen** (陳惠芬), aged 54, is the vice president of the Group. Ms. Chen joined the Group in August 2005 and was appointed as an executive Director of the Company from 6 March 2014 to 29 December 2016. She was responsible for the project management center of the Group, the project department of Wuhan Hi-tech Medical Devices Business Park, Wuhan Future Technology City and Biolake Innovation Business Park. She was also responsible for the consultation and management business department, Wuhan Project Department, Wuhan Cost Department and the works of Hubei Hong Yuan Project Cost Consultation Company Limited and Wuhan Ji Tian Construction Engineering Company Limited. Ms. Chen was the vice general manager of Wuhan Optics Valley Union from 2005 to March 2008 and had been the vice president of Wuhan Optics Valley Union since April 2008. Before joining the Group, she worked at Wuhan City Third Construction Engineering Co., Ltd.\* (武漢市第三建築工程公司), Wuhan City Comprehensive Development General Co., Ltd.\* (武漢市城市綜合開發總公司) and Wuhan East Lake High Technology. Ms. Chen received her college diploma in industrial enterprise operation management from Wuhan City University of Broadcast and Television\* (武漢市廣播電視大學) in July 1986 and graduated from the Party School of the Central Committee of Hubei Province\* (中共湖北省黨校) in economics management (a training program) in February 2001. Ms. Chen is qualified as a senior engineer, an international senior project manager, a registered property valuer and a senior engineer in cost engineering.

**Mr. He Haihua** (賀海華), aged 54, is the vice president of the Group. Mr. He joined the Group in September 2016 and was responsible for the work of Chengdu Xin Gu Industrial Park Development Company Limited and Dongguan Solar Financial Port Project. Mr. He graduated from the School of Economics and Management of Tsinghua University with a master's degree of business administration. He has held the positions of the director of Planning Department and secretary of the Discipline Inspection Committee of the Sixth Research Institute of Electronics Department (the Sixth Electronics Research Institute of the Ministry of Information Industry), the deputy director of the central research institute of Rainbow Group, the general manager of Hua Ke High Technology Company Limited, the general manager of Hua Bei Computer System Engineering Research Institute and the deputy general manager of CECH (stock code: 00085) and the general manager of CEC Technology. Mr. He Haihua currently holds the position of vice president of CEC Technology.

## Directors and Senior Management (Continued)

**Ms. Shu Chunping (舒春萍)**, formerly known as Shu Ru (舒茹), aged 54, is the vice president of the Group. She is responsible for the work of CEC Technology and assisting the director of the Group's Management Committee to carry out merger, acquisition and financing work. Ms. Shu joined the Group in March 2005 and had been a joint director of Wuhan Optics Valley Union since then. She was an non-executive Director of the Company from 6 March 2014 to 29 December 2016. Ms. Shu previously held senior positions in Wuhan Sante Cableway Group Co., Ltd.\* (武漢三特索道集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen stock code: 002159), Wuhan Nanyang Catering & Entertainment Co., Ltd.\* (武漢南陽美食娛樂有限公司), Wuhan Hi-Tech Holding Group Co., Ltd.\* (武漢高科國有控股集團有限公司), Wuhan East Lake High Technology, a company listed on the Shanghai Stock Exchange (Shanghai stock code: 600133) and Hubei Science & Technology Investment. Ms. Shu received her master's degree in politics and economics from Central China Normal University (華中師範大學) in December 1999.

**Mr. Wang Yuancheng (王元成)**, aged 52, is the vice president of the Group. Mr. Wang joined the Group in 1996 and is responsible for the management of Qingdao OVU Development, as well as the management of Qingdao OVU Fund and Investment Management Company, Hefei OVU Development, Wuhan Lido Technology, Wuhan Lido Curtain Wall Manufacture Co., Ltd., Wuhan Qian Bao Design Project Co., Ltd. and Wuhan Echoliv Idea Technology Company Limited. He served as the manager of comprehensive technique department of Wuhan United Real Estate from 1996 to 2000, the general manager of Wuhan Lido Technology from 2000 to 2010 and has been the director of Wuhan Lido Technology since 2000. Mr. Wang received his college diploma in municipal construction engineering from Jianghan University (江漢大學) in August 1986 and obtained his master's degree in business administration from the University of Northern Virginia in July 2008. He is qualified as an engineer. Mr. Wang was awarded the Excellent Enterprise Manager in Wuhan district.

**Mr. Chen Tongju (陳同舉)**, aged 51, is the vice president of the Group. Mr. Chen joined the Group in 1996. He is responsible for human resources centre, the safety and production work of the Group and the Internet+ Office of the Group, Wuhan Lido Property Management Co., Ltd., Shenzhen Lanyu Intelligent Company Limited\* (深圳藍域智能有限公司), Wuhan Quanpai Catering Management Co., Ltd., Ziyuan Hotel and Wuhan Zhong Dian Human Resources Information Technology Co., Ltd. Mr. Chen served as a director and supervisor of Wuhan United Real Estate from 1996 to 2011 and has been a director and a general manager of Wuhan Lido Property Management, Wuhan Quanpai Catering Management Co., Ltd. and Wuhan Ziyuan Hotel Management Co., Ltd. Mr. Chen received his bachelor's degree in law from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Economics (中南財經大學)) in July 1987 and his master's degree in western philosophy from Wuhan University (武漢大學) in July 1993. Mr. Chen was elected as the chairman of Hongshan Area Property Management Association and the vice chairman of Wuhan City Property Management Association in February 2006. Mr. Chen is qualified as a lecturer by Wuhan University and was awarded the Top Ten Talents in Brand Building\* (創名牌十大優秀人物) in Wuhan, the Best Leader\* (最佳領導人) in property management in Wuhan and the honour of China Property Management Outstanding Contribution Entrepreneurs\* (中國物業管理傑出貢獻企業家).

**Mr. Wang Xianhong (王先紅)**, aged 47, is the vice president of the Group. Mr. Wang joined the Group in 1996 and is also in charge of Wuhan Optics Valley Union Construction Design Research Institute Company Limited, Huanggang Optics Valley Union Development Company Limited as well as the aftermath work of the relevant project in Hongshan Village, Hongshan District. Mr. Wang received his bachelor's degree in infrastructure management engineering from Tianjin University (天津大學) in July 1991 and is qualified as a senior engineer.

## Directors and Senior Management (Continued)

**Mr. Peng Tao (彭濤)**, aged 48, is the assistant president of the Group. Mr. Peng joined the Group in 2000 and is in charge of the working team of ONU new project, project management of Lido 2046, and Biolake Innovation Business Park Project. He served as the chief engineer and the manager in the engineering department of Wuhan Optics Valley Union from 2000 to 2008. Mr. Peng has been the member of the National Committee of the Chinese People's Political Consultative Conference of Hannan District. Before joining the Group, Mr. Peng served as the chief of the design department of Wuhan Commercial Construction Design Institute (武漢市商業建築設計院). Mr. Peng graduated from Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan University of Industry (武漢工業大學)) in the bachelor's program of industrial and civil construction engineering in June 1993 and is qualified as a senior engineer.

**Ms. Yao Hua (姚華)**, aged 45, is the assistant president and the general manager of the sales and marketing center of the Group. Ms. Yao joined the Group in 1998 and is responsible for the daily operation of the marketing centre, Wuhan Military and Civil Innovation Center and Industrial Park and the implementation work of Optics Creative Valley Project. She is also in charge of the Group's research room and real estate business department, the work of Wuhan Qian Bao Advertising and Communication Company Limited, the work of Wuhan Business Solicitation Department, United Art Museum and Wuhan ONU Technology Co., Ltd. Ms. Yao was the head of sales and marketing of Wuhan United Real Estate from 1998 to 2006, the head of marketing and enterprise planning and the manager of the enterprise planning department of Wuhan Xuefu from 2006 to March 2008 and the head of the enterprise planning center of Wuhan Optics Valley Union from 2008 to 2010. Ms. Yao received her college diploma in arts education from Hubei Institute of Fine Arts (湖北美術學院) in July 1993 and graduated from Wuhan Textile University (武漢紡織大學) (formerly known as Wuhan University of Science and Engineering (武漢科技學院)) with a bachelor's degree of fashion design (a correspondence course) in June 2004 and is qualified as a senior economist.

**Ms. Huang Min (黃敏)**, aged 42, is the chief financial officer, assistant president and the general manager of the finance center of the Group, responsible for the overall management and is also in charge of the work of Wuhan Lingdu Capital Investment Company Limited. Ms. Huang joined the Group in 2002 and served as the manager in the finance department. Before joining the Group, Ms. Huang served as the accountant and chief accountant of Wuhan East Lake High Technology. Ms. Huang received her college diploma in auditing from Hubei College of Finance and Economics (湖北財經高等專科學校) in June 1996 and graduated from Zhongnan University of Economics and Law (中南財經政法大學) in the bachelor's program of accounting (a self-learning course) in June 2001. She received her master's degree in MBA from Wuhan University (武漢大學) in June 2006. Ms. Huang is a member of Hubei Institute of Certified Public Accountants and was qualified as a senior accountant in December 2006. Ms. Huang was awarded the first prize of Wuhan Professional Skills Competition\* (武漢市技能選拔賽一等獎) and Medal of May Day Honorable Workers in Wuhan\* (武漢五一勞動獎章) and the third prize of The Second "Jindie Cup" National Accounting Knowledge Competition\* ("金蝶杯"第二屆全國會計知識大賽三等獎).

**Ms. Li Jingsong (李勁松)**, aged 46, is the assistant president of the Group. Ms. Li joined the Group in 1996 and is responsible for the work of China Electronics Wenzhou Industrial Park Development Company Limited. Ms. Li was the manager of the development department of Wuhan United Real Estate from 1996 to 2008, the deputy head of the development center of Wuhan Optics Valley Union from 2008 to 2011 and has been the general manager of China Electronics Wenzhou Industrial Park Development Company Limited since 2016. Ms. Li received her college diploma in computer science from Hubei University (湖北大學) in July 1990 and is qualified as a senior operation manager.

## Directors and Senior Management (Continued)

**Mr. Huang Yongping** (黃永平), aged 44, is the assistant president and the general manager of the residential property management department of the Group. Mr. Huang joined the Group in 2000 and is responsible for the work of the residential career department of the Group, Wuhan Xuefu and Wuhan Mason. Mr. Huang has held various positions within the Group, including the project manager of Lido Mason and Lido 2046, the manager of the residence department and the vice manager of the sales department and chairman of the labor committee of Wuhan United Real Estate and the head of sales and marketing of Wuhan Xuefu. Mr. Huang received his college diploma in administration from Hubei University (湖北大學) in July 1991 and his master's degree in administration from Central China Normal University (華中師範大學) in January 2000. He was awarded as one of Ten Outstanding Young Persons of Wuchang district, Wuhan city, Hubei Province\* (湖北省武漢市武昌區十大優秀青年) in 2000.

**Ms. Zhang Xuelian** (張雪蓮), aged 41, is the secretary to the Board, chief of the legal and compliance department of the Group, and also one of the joint company secretaries. Ms. Zhang joined the Group in 2008 and is responsible for the secretariat of the Board and the legal and compliance department of the Group. She held various positions within the Group, including the supervisor of Wuhan Financial Harbour Development, the head of the administration center, secretary to the board of directors and the chief of the legal and compliance department of the Group. Before joining the Group, Ms. Zhang served as the secretary, representative of securities matters, general manager of the business solicitation department, chief of the audit and legal compliance department, deputy general economist and supervisor of Wuhan East Lake High Technology. Ms. Zhang received her bachelor's degree in economics law from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan College of Politics and Law (中南政法學院)) in July 1998. She is qualified as a senior operation specialist, a senior human resources management specialist, and a senior economist. Ms. Zhang attended training programs for company secretary to board, senior management and independent non-executive director of listed companies and received the relevant qualifications by the Shanghai Stock Exchange in June 2001, May 2007 and April 2008, respectively.

**Ms. Yong Hui** (雍暉), aged 48, is the general manager of Hefei Ovu Development. Ms. Yong joined the Group in 1996 and is responsible for the operation of Hefei Ovu Development. Ms. Yong worked at comprehensive technique department of Wuhan United Real Estate from November 1996 to December 2000 and Wuhan Lido Technology from January 2001 to October 2010. She served as the general manager of Wuhan Lido Technology from October 2010 to January 2015, and has been the general manager of Wuhan Lido Curtain Wall Manufacture Company Limited\* (武漢麗島幕牆製造有限公司) since January 2013. Before joining the Group, Ms. Yong worked at Wuhan Number Two Light Industry Scientific Research and Design Institute\* (武漢市二輕工業科學研究設計院). Ms. Yong received her college diploma in industrial and civil architecture from Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan University of Industry (武漢工業大學)) in December 1989 and was qualified as an engineer. Ms. Yong was awarded as one of the Outstanding Enterprise Managers for Architecture and Decoration in Wuhan Area\* (武漢地區建築裝飾優秀企業經理).

**Mr. Chen Dabin** (陳大斌), aged 48, is the general manager of Huangshi Optics Valley Union. Mr. Chen joined the Group in 2003 and is responsible for the general operation of Huangshi Ovu Development. Mr. Chen has been the vice general manager and the general manager of Huangshi Union Property Co., Ltd.\* (黃石聯合置業有限公司), now known as Huangshi Ovu Development, since then. Before joining the Group, Mr. Chen served as the chief financial officer of Wuhan East Lake High Technology Chopper Biology Co., Ltd.\* (東湖高新農業生物工程有限公司), a subsidiary of Wuhan East Lake High Technology and Wuhan Kernel Bio-Tech Co., Ltd.\* (武漢科諾生物科技股份有限公司). Mr. Chen graduated from Harbin University of Science and Technology (哈爾濱科學技術大學), specializing in industry management and projects, in July 1989 and obtained an MBA from Zhongnan University of Economics and Law (中南財經政法大學) in December 2000. He is qualified as a senior economist.

## Directors and Senior Management (Continued)

### Joint Company Secretaries

**Ms. Zhang Xuelian (張雪蓮)**, aged 41, is the secretary to the Board and chief of the legal and compliance department of the Group. She is also one of the joint company secretaries of the Company. See the subsection headed "Senior Management" in this section for details of her biography.

**Ms. Leung Ching Ching (梁晶晶)**, aged 36, is one of the joint company secretaries. She is a manager of Corporate Services of Tricor Services Limited. Ms. Leung is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Leung graduated from The Chinese University of Hong Kong and obtained the degree of bachelor of social science in December 2003. Ms. Leung also received a master of arts in professional accounting and information system from City University of Hong Kong in November 2006.

# Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

## Corporate Information and Global Offering

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

## Principal Activities

The Group is a large-scale business park developer and operator primarily focusing on the development and operation of thematic business parks and an industry operation service provider committed to becoming the market leader and providing suitable industry space, industry operation services, energy services, and entrepreneurship incubation services to a broad corporate customer base.

During the Reporting Period, the Group has developed and operated a number of multi-theme business parks in Wuhan, Qingdao, Hefei, Shenyang, Ezhou and Huangshi. Based on its existing customer base and industry knowledge, development capabilities and operational expertise accumulated over the years, the Group intends to replicate its mature development model in other cities and regions with voracious demand. The Group also engages in a variety of other business operations and activities, which mainly include:

- **Providing business operation services to companies in the business parks.** The Group provides enterprises in its business parks with diversified business operation services to facilitate their operation and reduce their operational costs.
- **Energy services.** The Group provides DHC energy services to property owners such as the government, institutions and enterprises.
- **Construction services.** The Group provides construction services for decorating and renovating external and internal common areas of buildings to customers in its business parks as well as property development projects owned by third parties.
- **Property leasing.** The Group engages in property leasing and strategically holds and leases out certain properties which provide supporting services in its business parks as well as office properties suitable for general business purposes to generate recurring rental income.
- **Enterprise incubation service.** The Group uses OVVU Maker Star, a superb incubation platform, to provide venture enterprises with enterprise incubation space and related venture services.
- **Providing management consultation services for business parks owned by third parties.** Leveraging on the extensive experience in the field of industry property development and operation, we provide local governments and large-scale corporations with comprehensive management consultation services encompassing industry planning, project planning, planning and design, project construction, marketing and promotion and project operation.

# Directors' Report (Continued)

## Business Review

Details of the business review of the Company are set out in pages 8 to 25 of this annual report and form part of the Directors' report.

## Principal Risks

Details of the principal risks and uncertainties faced by the Company are set out in page 35 of this annual report and form part of the Directors' report.

## Future Development

Details of the Company's likely future business development are set out in pages 26 to 27 of this annual report and form part of the Directors' report.

## Results and Final Dividends

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss in page 116 of this annual report.

The Board proposed to declare a final dividend of HKD2.0 cents (equivalent to approximately RMB1.8 cents) per Share, approximately HKD160.0 million in aggregate (equivalent to approximately RMB143.1 million) for the year ended 31 December 2016, which will be payable to Shareholders of the Company whose names appear on the register of members of the Company on 9 June 2017 (Friday), subject to Shareholders' approval at the forthcoming annual general meeting of the Company. The final dividend is expected to be paid on or before 21 June 2017 (Wednesday).

## Financial Summary and Financial Key Performance Indicators

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

Details of the financial key performance indicators of the Company are set out in pages 32 to 33 of this annual report and form part of the Directors' report.

## Pre-Emptive Rights

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

## Directors' Report (Continued)

### Property, Plant and Equipment

Details of movements of the Group's property, plant and equipment during the year ended 31 December 2016 are set out in note 15 to the consolidated financial statements on pages 165 and 166 of this annual report.

### Share Capital and Share Award Scheme

Details of movements of the Company's share capital during the year ended 31 December 2016 are set out in note 33 to the consolidated financial statements on page 186 of this annual report and form part of the Directors' report.

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

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

### Purchase, Sale or Redemption of the Company's Listed Securities

During 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 120 and 121 of this annual report.

### Distributable Reserves

The Company's reserves available for distribution, calculated in accordance with Cayman Islands law, amounted to approximately RMB2,472.5 million as of 31 December 2016.

# Directors' Report (Continued)

## Bank Loans and Other Borrowings

Particulars of movements of the bank loans and other borrowings of the Company and the Group as of 31 December 2016 are set out in notes 29 and 30 to the consolidated financial statements on pages 179 to 183 of this annual report.

## Major Customers and Suppliers

During the Reporting Period, the percentage of turnover attributable to the Group's five largest customers from the sales of properties in their projects was approximately 15.0%, and the percentage of turnover attributable to its largest customer from the sales of properties in its projects was approximately 6.2%. The Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year. None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest customers and suppliers.

## Compliance with Laws and Regulations

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

## Major Relationship between the Group and its Employees, Customers, Suppliers and Other Parties

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

The Group strives to maintain a close relationship with its employees and to provide quality services to its customers, while enhancing co-operation with suppliers and other parties. Details of the Group's employees are set out in pages 34, 44 to 45 of this annual report.

## Environmental Policies and Performance

Details of the Company's environmental policies and performance are set out in pages 37 to 51 of this annual report.

## Permitted Indemnity Provision

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

# Directors' Report (Continued)

## Directors and Directors' Service Contracts

The Directors for the year ended 31 December 2016 and up to the date of this annual report were:

### Executive Directors

Mr. Huang Liping (*Chairman and President*)  
Mr. Hu Bin (*Executive President*) (*appointed on 6 March 2014*)  
Ms. Chen Huifen (*Vice President*) (*resigned on 29 December 2016*)

### Non-Executive Directors

Mr. Lu Jun  
Ms. Shu Chunping (*resigned on 29 December 2016*)  
Mr. Zhang Jie  
Ms. Wang Qiuju (*appointed on 29 December 2016*)  
Mr. Xiang Qunxiong (*appointed on 29 December 2016*)

### Independent Non-Executive Directors

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

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

Each Mr. Huang Liping and Mr. Hu Bin entered into a service contract with the Company for a term of three years to serve as the executive Directors of the Company, commencing from 11 March 2017 and may be terminated by not less than one month's notice in writing served by either party on the other. Mr. Lu Jun entered into a letter of appointment with the Company for a term of three years to serve as a non-executive Director of the Company, commencing from 11 March 2017 and Mr. Zhang Jie entered into a letter of appointment with the Company for an initial term of three years to serve as a non-executive Director of the Company, commencing from 12 June 2017. Each of Ms. Wang Qiuju and Mr. Xiang Qunxiong has entered into a letter of appointment with the Company for an initial term of three years to serve as the non-executive Directors of the Company, commencing from 29 December 2016.

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

Pursuant to Article 112 of the Articles of Association, Ms. Wang Qiuju and Mr. Xiang Qunxiong are required to retire at the forthcoming annual general meeting, and if eligible, will offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting entered into any service contract with the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

# Directors' Report (Continued)

## **Directors' Interests in Contracts**

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

## **Management Contracts**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2016.

## **Non-Competition Undertakings**

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

## **Remuneration of Directors and Senior Management and five Individuals with Highest Emoluments**

Details of the emoluments of the Directors and senior management and the five highest paid individuals are set out in note 9 to the consolidated financial statements on pages 153 to 154 of this annual report.

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

<b>Remuneration bands</b>	<b>Number of individuals</b>
RMB1.0 million to 2.0 million	8
Below RMB1.0 million	6

## Directors' Report (Continued)

### Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

### Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

Name of Director	Nature of Interest	Number of Shares Held <sup>(1)</sup>	Approximate Percentage of Shareholding
Mr. Huang Liping <sup>(2)</sup>	Interest in controlled corporation	1,988,372,805	24.85%
Mr. Hu Bin <sup>(3)</sup>	Beneficiary of a trust	21,096,000	0.26%
	Beneficial holder	49,224,000	0.62%

Notes:

- (1) All the above Shares are held in long position (as defined under Part XV of the SFO).
- (2) Mr. Huang Liping holds 100% equity interests in each of AAA Finance and Lidao BVI, and AAA Finance holds 100% equity interests in Sino Compass Group Limited. Under the SFO, Mr. Huang Liping is deemed to be interested in 1,627,700,000 Shares held by AAA Finance, 120,000,000 Shares held by Lidao BVI and 160,000,000 Shares held by Sino Compass Group Limited. As the sole shareholder of Hengxin PTC, Mr. Huang Liping is deemed to be interested in 80,672,805 Shares held by Hengxin PTC.
- (3) Mr. Hu Bin is a beneficiary of 70,320,000 Shares of a trust set up pursuant to a trust deed executed on 13 September 2013 with Hengxin PTC as trustee. On 20 July 2015 and 21 April 2016, Hengxin PTC (as trustee) transferred an aggregate 49,224,000 Shares to Mr. Hu Bin. Thus, Mr. Hu Bin is a beneficiary of 21,096,000 Shares in the trust, and also a beneficial holder of 49,224,000 Shares.

Save as disclosed above, as at 31 December 2016, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate throughout the period from the Listing Date to 31 December 2016.

# Directors' Report (Continued)

## Directors' Interests in Competing Business

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

## Contracts with Controlling Shareholders

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

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Notes:

- (1) All the above Shares are held in long position (as defined under Part XV of the SFO).
- (2) These Shares are held by CEC Media. CEC Media is a wholly-owned subsidiary of CECH. As CECH is a subsidiary of CEC thus, CEC is deemed to be interested in all Shares held by CEC Media under the SFO.
- (3) These Shares are held by CEC Media. CEC Media is a wholly-owned subsidiary of CECH. Under the SFO, CECH is deemed to be interested in all the Shares held by CEC Media.
- (4) AAA Finance is wholly owned by Mr. Huang Liping, the Chairman and President of the Company. Mr. Huang Liping's interests therein are set out in the section headed "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this report.
- (5) These shares are held by Sino Compass Group Limited. Sino Compass Group Limited is a wholly-owned subsidiary of AAA Finance. Under the SFO, AAA Finance is deemed to be interested in all the shares held by Sino Compass Group Limited.
- (6) Hubei Science & Technology Investment holds 100% equity interest in Technology Investment HK. Under the SFO, Hubei Science & Technology Investment is deemed to be interested in all the Shares held by Technology Investment HK.

## Directors' Report (Continued)

Other than as disclosed above, as at 31 December 2016, the Company has not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

### Material Acquisitions

Material acquisitions of the Group are set out in page 33 of this annual report.

### Material Disposals

Material disposals of the Group are set out in page 34 of this annual report.

### Connected Transactions

The details of the continuing connected transactions conducted by the Group for the year ended 31 December 2016 are as follows:

#### **Continuing Connected Transactions Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements**

- (i) On 3 March 2014, in order to provide facilities to the Company's non-wholly owned subsidiaries for their working capital purposes, the Company, Hubei Science & Technology Investment, Energy Conservation Technology Park and Wuhan Financial Harbour Development entered into a framework facilities agreement (the "Framework Facilities Agreement"), whereby the Company and Hubei Science & Technology Investment agreed to procure their respective subsidiaries to provide loan facilities to Energy Conservation Technology Park and Wuhan Financial Harbour Development. The term of the Framework Facilities Agreement commences on the date of signing and will end on 31 December 2016. Each of Energy Conservation Technology Park and Wuhan Financial Harbour Development will be charged interest based on the prevailing interest rate as announced by the People's Bank of China.

Hubei Science & Technology Investment is a substantial shareholder of the Company during 1 January 2016 to 30 June 2016 and is therefore a connected person of the Company. Energy Conservation Technology Park and Wuhan Financial Harbour Development are owned by Hubei Science & Technology Investment as to 100%. Therefore, Energy Conservation Technology Park and Wuhan Financial Harbour Development are also connected persons of the Company. Pursuant to Rule 14A.89 of the Listing Rules, the financial assistance provided under the Framework Facilities Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements as this constitutes financial assistance provided by the Company on normal commercial terms for the benefit of its connected persons and is in proportion to its respective equity interests in Energy Conservation Technology Park and Wuhan Financial Harbour Development.

## Directors' Report (Continued)

- (ii) On 1 February 2015, Wuhan Lido Property Management Co., Ltd. and Wuhan Future Science & Technology City Assets Management\* (武漢未來科技城資產管理) entered into a property services contract, pursuant to which Wuhan Lido Property Management Co., Ltd. shall offer certain property management services to Wuhan Future Science & Technology City Assets Management with respect to Zones A1, A4 of Long Shan Innovation Park\* (龍山創新園) of Wuhan Future Science & Technology City for a term of three years from 1 February 2015 (the "Property Services Contract") for a term of three years commencing from 1 February 2015. Of which, management fees shall be paid quarterly at RMB3 per sq.m. for Zone A1 and RMB4.5 per sq.m. for Zone A4.

During the period from 1 January 2016 to 30 June 2016, Hubei Science & Technology Investment was the substantial shareholder of the Company. Hubei Science & Technology Investment wholly owns Wuhan Future Science & Technology City Assets Management, therefore, Wuhan Future Science & Technology City Assets Management was an associate of Hubei Science & Technology Investment and a connected person of the Company during 1 January 2016 to 30 June 2016. As a result, the Property Services Contract constitutes a connected transaction of the Company during 1 January 2016 to 30 June 2016.

During the period from 1 January 2016 to 30 June 2016, the total amount of fees paid by Wuhan Future Science & Technology City Assets Management to Wuhan Lido Property Management Co., Ltd. was less than HKD3 million and all relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) were less than 5%, and the transaction was therefore exempt from the reporting, announcement and independent shareholders' approval requirements.

### **Continuing Connected Transactions subject to the Reporting and Announcement Requirements but Exempt from Independent Shareholders' Approval Requirements**

- (i) On 19 October 2010 and 22 December 2008, Wuhan Optics Valley Union entered into entrusted construction agreements with Wuhan Future Science & Technology City Investment Construction Co., Ltd. (武漢未來科技城投資建設有限公司) ("Wuhan Future City") and Wuhan Optics Valley Bio-industry Base Construction Investment Co., Ltd. (武漢光谷生物產業基地建設投資有限公司) ("Wuhan Bio-industry Construction"), respectively, under which Wuhan Optics Valley Union was entrusted by Wuhan Future City and Wuhan Bio-industry Construction, respectively, to provide entrusted construction services in relation to Wuhan Future Technology City Qibu Region Phase 1 (武漢未來科技城步區一期) and Wuhan National Bio-Industry (Nine-Pinnacle Innovation) Base (武漢國家生物產業(九峰創新)基地) for the entire process from obtaining project planning permit until the delivery for usage upon project completion and qualified acceptance as well as quality assurance period (the "Entrusted Construction Agreement(s)"). Wuhan Optics Valley Union received commission and bonus in accordance with the terms of the Entrusted Construction Agreements, the details of which are set out in the section headed "Connected Transactions" in the Prospectus. The above entrusted projects are completed in June 2016 and December 2015, respectively.

During the year ended 31 December 2016, Wuhan Future City and Wuhan Bio-industry Construction are associates of Hubei Science & Technology Investment, a substantial shareholder of the Company during 1 January 2016 to 30 June 2016, as they are owned as to 62.22% and 64.3% by Hubei Science & Technology Investment, respectively. They are therefore connected persons of the Company. Therefore, the Entrusted Construction Agreements constitute continuing connected transactions of the Company and are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The annual caps for each of the years ending 31 December 2014, 2015 and 2016 in respect of the Entrusted Construction Agreement with Wuhan Future City are RMB5,590,000, RMB15,000,000 and RMB20,000,000, respectively, and the annual caps for each of the years ending 31 December 2014, 2015 and 2016 in respect of the Entrusted Construction Agreement with Wuhan Bio-industry Construction are RMB7,500,000, RMB30,000,000 and RMB35,000,000 respectively. The transaction amounts paid by Wuhan Future City and Wuhan Bio-industry Construction, respectively to Wuhan Optics Valley Union under the aforesaid Entrusted Construction Agreements for the year ended 31 December 2016 were RMB6,482,000 and RMB1,981,000, respectively.

## Directors' Report (Continued)

- (ii) On 22 May 2015, Wuhan Optics Valley Union, an indirect wholly-owned subsidiary of the Company, entered into an investment agreement with Hubei Science & Technology Investment, Huanggang State-owned Asset Management Company\* (黃岡市國有資產經營公司) ("Huanggang Asset Management") and Wuhan High Technology State-Owned Holding Group Company Limited\* (武漢高科國有控股集團有限公司) ("Wuhan High Technology") in relation to the formation of a joint venture to be established in the PRC (the "Project Company"). Details of the terms are set out in the announcement of the Company dated 22 May 2015.

The Project Company was formed for the sole purpose of the Optics Valley Union Technology City (Huanggang) project, which is a business park development project in Huanggang, the PRC (the "Project"). The name of the Project Company is Huanggang Optics Valley Union Development Company Limited\* (黃岡光谷聯合發展有限公司).

The Project Company was established with an initial registered capital of RMB200 million, which was contributed in cash by Wuhan Optics Valley Union as to RMB140 million, by Hubei Science & Technology Investment as to RMB20 million, by Huanggang Asset Management as to RMB20 million, and by Wuhan High Technology as to RMB20 million. Upon completion of the aforesaid capital contribution, the Project Company is owned as to 70% by Wuhan Optics Valley Union, and as to 10% by each of Hubei Science & Technology Investment, Huanggang Asset Management and Wuhan High Technology, respectively. It is contemplated that the capital commitment of Wuhan Optics Valley Union under the investment agreement will be funded by internal resources of the Group.

The Directors were of the view that the strategic cooperation of Wuhan Optics Valley Union and Hubei Science & Technology Investment, Huanggang Asset Management and Wuhan High Technology would complement each other in the development of the Project to promote mutual benefit, and would create good synergy based on the experience of Wuhan Optics Valley Union in the development and operation of business parks and the experience of the joint venture partners.

Hubei Science & Technology Investment is indirectly interested in 12.0% of the issued share capital of the Company during the year ended 31 December 2016. Therefore Hubei Science & Technology Investment is a substantial shareholder and a connected person of the Company under the Listing Rules, and the transaction under the aforesaid investment agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquirers, each of Huanggang Asset Management and Wuhan High Technology and their ultimate beneficial owners were third parties independent of the Company and its connected persons.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the total commitment to be provided by Wuhan Optics Valley Union for the Project Company under the aforesaid investment agreement exceed 0.1% but are less than 5%, the investment agreement constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## Directors' Report (Continued)

### **Continuing Connected Transactions subject to the Reporting, Announcement and Independent Shareholders' Approval requirements**

- (i) CEC Technology is a subsidiary of the Company and CECH is a substantial shareholder of the Company. The arrangements in respect of the entrusted loans constitute continuing connected transactions of the Company. The following entrusted loans ensure and maximise operating efficiency and stability of the operations of the CEC Technology and its subsidiaries.

The principal terms of the entrusted loans are as follow:

**(1) Entrusted loan contract of 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") in respect of a principal amount of RMB100 million**

Date: 29 October 2015 (as supplemented by a confirmation letter dated 27 November 2015)

Parties: (1) CECH (as lender)

(2) China Electronics Financial Co., Ltd.\* (中國電子財務有限責任公司) ("CEC Finance") (as lending agent); and

(3) CEC Beihai (as borrower), a wholly-owned subsidiary of CEC Technology

#### Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Beihai through CEC Finance was RMB100 million.

#### Term

The term for the entrusted loan commenced on 29 October 2015 and ended on 29 October 2016.

#### Interest rate

As confirmed by the confirmation letter mentioned above, the interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

#### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Beihai shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

## Directors' Report (Continued)

### (2) Entrusted loan contract of CEC Beihai in respect of a principal amount of RMB110 million

Date: 10 November 2015 (as supplemented by a confirmation letter dated 27 November 2015)

Parties:

- (1) CECH (as lender)
- (2) CEC Finance (as lending agent); and
- (3) CEC Beihai (as borrower), a wholly-owned subsidiary of CEC Technology

#### Amount of the Entrusted Loan

The aggregate principal amount of the entrusted loan provided by CECH to CEC Beihai through CEC Finance is RMB110 million.

#### Term

The term for the entrusted loan commenced on 10 November 2015 and ended on 10 November 2016.

#### Interest rate

As confirmed by the confirmation letter mentioned above, the interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties and by reference to other similar transactions in the market.

#### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Beihai shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

### (3) Entrusted loan contract of 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") in respect of a principal amount of RMB140 million

Date: 10 November 2015 (as supplemented by a confirmation letter dated 27 November 2015)

Parties:

- (1) CECH (as lender)
- (2) CEC Finance (as lending agent); and
- (3) CEC Xi'an (as borrower), a 73.91% owned subsidiary of CEC Technology

#### Amount of the entrusted loan

The aggregate principal amount of the entrusted loan provided by CECH to CEC Xi'an through CEC Finance is RMB140 million.

#### Term

The term for the entrusted loan commenced on 10 November 2015 and ended on 10 November 2016.

## Directors' Report (Continued)

### Interest rate

As confirmed by the confirmation letter mentioned above, the interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties and by reference to other similar transactions in the market.

### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Xi'an shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

#### (4) Entrusted loan contract of CEC Xi'an in respect of a principal amount of RMB10 million

Date: 18 December 2015

Parties: (1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Xi'an (as borrower), a 73.91% owned subsidiary of CEC Technology, and as at the date of this annual report, none of the shareholders of the Company holds any equity interest therein

### Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Xi'an through CEC Finance was RMB10 million.

### Term

The term for the entrusted loan commenced on 18 December 2015 and ended on 18 December 2016.

### Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Xi'an shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

## Directors' Report (Continued)

### (5) Entrusted loan contract of CEC Technology in respect of a principal amount of RMB90 million

Date: 19 January 2016

Parties:

- (1) CECH (as lender)
- (2) CEC Finance (as lending agent); and
- (3) CEC Technology (as borrower)

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB90 million.

Term

The term for the entrusted loan commenced on 19 January 2016 and ended on 19 December 2016.

Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Technology shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

### (6) Entrusted loan contract of CEC Technology in respect of a principal amount of RMB148.96 million

Date: 27 January 2016

Parties:

- (1) CECH (as lender)
- (2) CEC Finance (as lending agent); and
- (3) CEC Technology (as borrower)

Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB148.96 million (equivalent to approximately HK\$180.24 million).

Term

The term for the entrusted loan commenced on 27 January 2016 and ended on 27 December 2016.

## Directors' Report (Continued)

### Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CEC Technology shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

### (7) Entrusted loan contract of CEC Technology in respect of a principal amount of RMB268.54 million

Date: 3 February 2016

Parties: (1) CECH (as lender)

(2) CEC Finance (as lending agent); and

(3) CEC Technology (as borrower)

### Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB268.54 million.

### Term

The term for the entrusted loan commenced on 15 February 2016 and ended on 28 December 2016.

### Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CECH shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

## Directors' Report (Continued)

### (8) Entrusted loan contract of CEC Technology in respect of a principal amount of RMB168.91 million

Date: 17 February 2016

Parties:

- (1) CECH (as lender)
- (2) CEC Finance (as lending agent); and
- (3) CEC Technology (as borrower)

#### Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB168.91 million.

#### Term

The term for the entrusted loan commenced on 17 February 2016 and ended on 28 December 2016.

#### Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

#### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CECH shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

### (9) Entrusted loan contract of CEC Technology in respect of a principal amount of RMB168.91 million

Date: 19 February 2016

Parties:

- (1) CECH (as lender)
- (2) CEC Finance (as lending agent); and
- (3) CEC Technology (as borrower)

#### Amount of the entrusted loan

The original principal amount of the entrusted loan provided by CECH to CEC Technology through CEC Finance was RMB168.91 million.

#### Term

The term for the entrusted loan commenced on 19 February 2016 and ended on 28 December 2016.

## Directors' Report (Continued)

### Interest rate

The interest rate shall be at the fixed rate of 7% per annum. The accrued interest shall be settled quarterly during the term of the entrusted loan. Such interest rate was determined after arm's length negotiations between the parties.

### Handling fee

The handling fee payable to CEC Finance for arranging the entrusted loan under this Entrusted Loan Contract is calculated at 0.1% of the aggregate outstanding principal amount of the entrusted loan. Such handling fee was determined by reference to other similar transactions in the market. CECH shall pay the handling fee to CEC Finance on a quarterly basis during the term of the entrusted loan.

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

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

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

## Related Party Transactions

During the Reporting Period, the Group conducted certain transactions with parties deemed as "related parties" under the applicable accounting standard. The details of these transactions are set out in note 40 to the consolidated financial statements on pages 192 to 194 of this annual report. The transactions mentioned in such note are "continuing connecting transactions" defined in the Listing Rules.

# Directors' Report (Continued)

## Employee and Remuneration Policy

As at 31 December 2016, the Group had in total 4,700 employees in Hong Kong and the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB324.9 million.

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

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

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

## Post Balance Sheet Events

Details of major events after 31 December 2016 are set out in the section headed "Management Discussion and Analysis — Event after Balance Sheet Date" and note 41 to the consolidated financial statements on page 194 of this annual report.

## Corporate Governance

During the Reporting Period, save for Mr. Huang Liping being both the chairman of the Board and president of the Company, the Company has been in compliance with all the applicable code provisions set forth in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 81 to 97 of this annual report.

## Confirmation of Independence of Independent Non-Executive Directors

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

# Directors' Report (Continued)

## Sufficiency of Public Float

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

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

## Closure of Register of Members

For the purpose of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 19 May 2017 (Friday) to 24 May 2017 (Wednesday) (both days inclusive), during such period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 18 May 2017 (Thursday).

For the purpose of determining the Shareholders' entitlement to the final dividend, the register of members of the Company will also be closed from 8 June 2017 (Thursday) to 9 June 2017 (Friday) (both days inclusive), during which period no transfer of Shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted at the forthcoming annual general meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 7 June 2017 (Wednesday).

## Audit Committee

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2016.

## Directors' Report (Continued)

### Auditors

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

The consolidated financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers. A resolution for the reappointment of PricewaterhouseCoopers as the Company's auditors is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**China Electronics Optics Valley Union Holding Company Limited**

**Huang Liping**

*Chairman*

Hong Kong, 23 March 2017

# Corporate Governance Report

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

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

## Securities Transactions

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

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

## The Board of Directors

### Board Responsibilities

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

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

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

# Corporate Governance Report (Continued)

## Delegation by the Board

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

## Board Composition

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

### Executive Directors

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

### Non-executive Directors

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

### Independent non-executive Directors

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

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

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

### Non-executive Directors

Mr. Lu Jun has entered into a letter of appointment with the Company for a term of three years commencing from 11 March 2017. Mr. Zhang Jie has entered into a letter of appointment with the Company for an initial term of three years commencing from 12 June 2014. Each of Ms. Wang Qiuju and Mr. Xiang Qunxiong has entered into a letter of appointment with the Company for an initial term of three years commencing from 29 December 2016. Under the Articles of Association, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the annual general meeting at which they retire.

# Corporate Governance Report (Continued)

## Independent Non-executive Directors

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

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

Each of the independent non-executive Directors has confirmed his or her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent according to the criteria set out in Rule 3.13 of the Listing Rules.

The Board will review and evaluate whether there are circumstances that are likely to affect the independence of the independent non-executive Directors on an ongoing basis.

## Chairman and Chief Executive

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

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

# Corporate Governance Report (Continued)

## Appointment, Retirement and Re-Election of Directors

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

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

The Nomination Committee is responsible for reviewing the Board's structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning of Directors.

During the Reporting Period, Ms. Wang Qiuju and Mr. Xiang Qunxiong were appointed as non-executive Directors of the Company with effect from 29 December 2016. Pursuant to the Articles of Association, Ms. Wang Qiuju and Mr. Xiang Qunxiong are subject to retirement and re-election at the annual general meeting of the Company to be held in 2017.

## Induction and Continuous Professional Development

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

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

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

# Corporate Governance Report (Continued)

For the year ended 31 December 2016, all of the Directors have received relevant trainings on corporate governance and the relevant training records are as follows:

Name of Director	Corporate Governance/ Updates on Relevant Laws, Rules and Regulations		Accounting/Finance/ Management or Other Professional Skills	
	Studied Materials	Attended Seminars/ Briefings	Studied Materials	Attended Seminars/ Briefings
<i>Executive Directors:</i>				
Mr. Huang Liping	✓	✓	✓	✓
Mr. Hu Bin	✓	✓	✓	✓
Ms. Chen Huifen (resigned on 29 December 2016)	✓	✓	✓	✓
<i>Non-executive Directors:</i>				
Mr. Lu Jun	✓	✓	✓	✓
Ms. Shu Chunping (resigned on 29 December 2016)	✓	✓	✓	✓
Mr. Zhang Jie	✓	✓	✓	✓
Ms. Wang Qiuju (appointed on 29 December 2016)	✓			
Mr. Xiang Qunxiong (appointed on 29 December 2016)				
<i>Independent non-executive Directors:</i>				
Mr. Qi Min	✓	✓	✓	✓
Mr. Leung Man Kit	✓	✓	✓	✓
Ms. Zhang Shuqin	✓	✓	✓	✓

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

## Board Meetings

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

# Corporate Governance Report (Continued)

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

## Insurance for Directors and Senior Management

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

## Board Committees

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

### Audit Committee

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

The primary functions of the Audit Committee include the following:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of engagement of external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussing with the external auditors the nature and scope of the audit and the relevant reporting obligations before the audit commences;
- developing and implementing policy on engaging external auditors to provide non-audit services;
- monitoring the integrity of the Company's financial statements and annual report and accounts and half-yearly reports, and to review significant financial reporting opinions contained in such statements and reports;

# Corporate Governance Report (Continued)

- reviewing the Company's financial controls, internal control and risk management systems and discussing the internal control system with management to ensure that management has performed its duty to establish an effective internal control system;
- considering major investigation findings on internal control matters on the Audit Committee's own initiative or as delegated by the Board, as well as management's response to these findings; and
- reviewing the Group's financial and accounting policies and practices.

The terms of reference of the Audit Committee are available on the website of the Company and the designated website of the Stock Exchange. The Audit Committee held five meetings during the year ended 31 December 2016 to review the annual results and report for the year ended 31 December 2015 as well as the interim results and report for the six months ended 30 June 2016, and review the effectiveness of the financial control, internal control, risk management system and internal audit function of the Company, and discuss material risks under concern in the audit work and appointment of external auditors.

During the Reporting Period, the Audit Committee also held five meetings with external auditors without the presence of the executive Directors.

## Remuneration Committee

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

The primary functions of the Remuneration Committee include the following:

- assessing, reviewing and making recommendations to the Board in respect of the remuneration packages and overall benefits for the Directors and senior management of the Company;
- making recommendations to the Board on the remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for formulating remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives set by the Board;
- determining, with the delegated responsibility, the remuneration packages of individual executive directors and senior management, or making recommendations to the Board on the remuneration packages of individual executive Director and senior management;

# Corporate Governance Report (Continued)

- making recommendations to the Board on the remuneration of non-executive Directors; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

Details of the remuneration of the senior management by band are set out in note 40(c) in the Notes to the Audited Financial Statement for the year ended 31 December 2016.

## Nomination Committee

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

The primary functions of the Nomination Committee include the following:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors; and
- reviewing the board diversity policy regularly.

The Company has adopted its board diversity policy on 6 March 2013. Board diversity can be attained through various factors, including but not limited to gender, age, cultural and educational background, professional expertise, independence, skills, knowledge and length of service. Decision shall ultimately be made based on the merits of and contribution to be made to the Board by the candidate.

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

# Corporate Governance Report (Continued)

## Financial Control Committee

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

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

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

## Attendance Record of the Directors and Committee Members

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

Name of Director	Attendance/Number of Meetings				Annual General Meeting <sup>(1)</sup>	Other General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee		
<i>Executive Directors:</i>						
Mr. Huang Liping	6/6	—	—	2/2 <sup>(C)</sup>	1/1	3/3
Mr. Hu Bin	6/6	—	2/2 <sup>(M)</sup>	—	1/1	1/3
Ms. Chen Huifen <i>(resigned on 29 December 2016)</i>	6/6	—	—	—	1/1	0/3
<i>Non-executive Directors:</i>						
Mr. Lu Jun	5/6	—	—	—	1/1	2/3
Ms. Shu Chunping <i>(resigned on 29 December 2016)</i>	5/6	5/5 <sup>(M)</sup>	2/2 <sup>(M)</sup>	—	1/1	1/3
Mr. Zhang Jie	6/6	—	—	—	1/1	2/3
Ms. Wang Qiuju <i>(appointed on 29 December 2016)</i>	1/6	0/5 <sup>(M)</sup>	—	—	0/1	0/3
Mr. Xiang Qunxiong <i>(appointed on 29 December 2016)</i>	1/6	—	—	—	0/1	0/3
<i>Independent non-executive Directors:</i>						
Mr. Qi Min	6/6	5/5 <sup>(M)</sup>	2/2 <sup>(C)</sup>	2/2 <sup>(M)</sup>	1/1	3/3
Mr. Leung Man Kit	6/6	5/5 <sup>(C)</sup>	2/2 <sup>(M)</sup>	—	1/1	2/3
Ms. Zhang Shuqin	6/6	—	2/2 <sup>(M)</sup>	2/2 <sup>(M)</sup>	1/1	0/3

# Corporate Governance Report (Continued)

Notes:

- (1) The annual general meeting of the Company was held on 16 June 2016.
- (2) (C) — Chairman of the committee; (M) — Committee member

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

## Corporate Governance Functions

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

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

## Risk Management and Internal Control

The Board is responsible for assessing and determining the nature and level of risk that the Group is willing to bear to achieve its goals in order to ensure that the Company has established and maintained suitable and effective risk management and internal control system.

The Board is responsible for supervising the design, implementation and supervision of the risk management and internal control system carried out by the management. The Audit Committee is delegated by the Board with the responsibility to monitor the risk management and internal control system while the Internal Audit Department is delegated by the Audit Committee with the responsibility to review and monitor the risk management and internal control system of the Group.

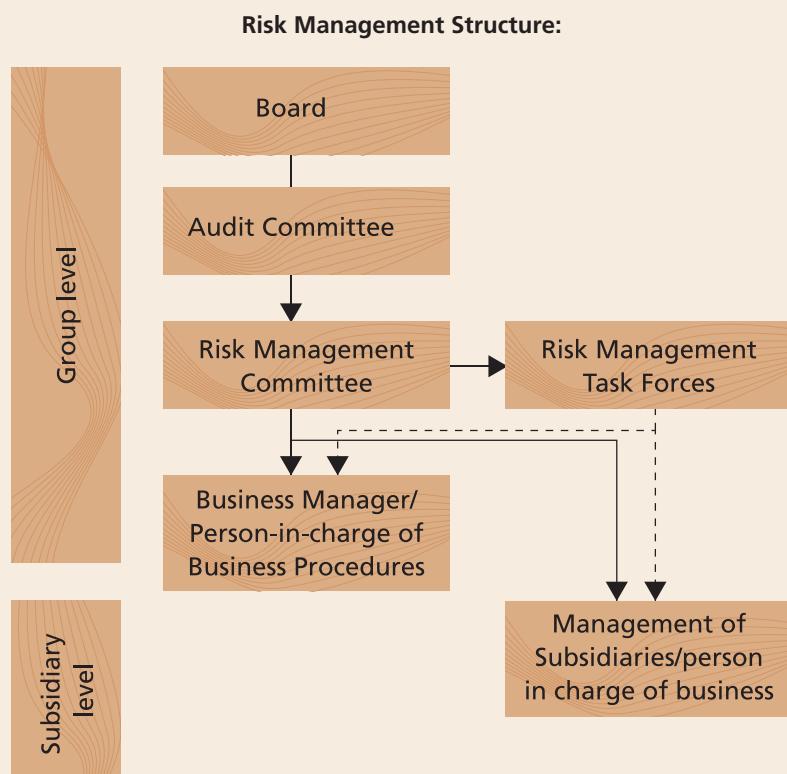
The related risk management system and internal control system are designed to manage and not eliminate the risk of failing to achieve business goals and are only capable of providing reasonable and not absolute assurance against material misstatement or loss.

# Corporate Governance Report (Continued)

## Risk Management

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

### Risk Management Structure and Duties of Each Level of Management



# Corporate Governance Report (Continued)

Duties of Each Level of Management:

Roles	Main Duties
<b>Board</b>	<ul style="list-style-type: none"><li>• manages corporate risk, general objectives, risk appetite and risk tolerance</li><li>• approves the basic risk management system</li><li>• approves risk management proposals and reports</li><li>• carries out risk management on material decisions and approves risk management reports of material decisions</li><li>• strengthens the nurturing of corporate risk management culture</li></ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"><li>• reviews the establishment of risk management structure and its responsibility proposals</li><li>• authorized by the Board to supervise the implementation of risk management and internal control system</li><li>• reviews the effectiveness of the Company's risk management and internal control system regularly</li></ul>
<b>Risk Management Committee</b>	<ul style="list-style-type: none"><li>• promotes the establishment of risk management system and confirms the establishment of risk management system and its responsibility proposals</li><li>• reviews and supervises the implementation of relevant risk management policies and systems of the Company</li><li>• offers opinions on risk management regarding material decisions, reviews and submits risk management reports on material decisions and offers suggestions on measures responding to specific risks</li><li>• monitors the nurturing of the Company's overall risk management culture</li><li>• makes regular reports to the Audit Committee on risk management works</li></ul>
<b>Risk Management Task forces</b>	<ul style="list-style-type: none"><li>• organizes and coordinates with various functional departments to carry out identification and assessment works on material risks on business level, prepares management reports on material risks on business level and various risk management reports and reports to the Risk Management Guidance Committee</li><li>• organizes and coordinates with the Risk Management Committee and senior management to identify and assess risks on company level as well as formulates and submits relevant measures and proposals on the management of material risks on company level</li><li>• assists, reviews and supervises the risk management works and results carried out by risk management officers</li><li>• provides relevant training and guidance on risk management</li></ul>

# Corporate Governance Report (Continued)

Roles	Main Duties
<b>Business managers/ person-in-charge of business procedures/ management of subsidiaries</b>	<ul style="list-style-type: none"><li>• responsible for coordinating with the Risk Management Committee and the risk management taskforces carry out specific risk management works in accordance with the business involved</li><li>• updates the list of risks and carries out risk management related works according to the business involved on a regular basis</li><li>• assesses risk from the two perspectives of possibility and level of influence on the basis of the business nature</li><li>• prepares the relevant risk response proposals for the business involved, implements the response proposals and being responsible for carrying forward and implementing specific risk management measures</li><li>• supervises various risks of the business involved and makes timely reports on risk information to the risk management task forces</li></ul>

## Risk Management Procedure

Four Steps for Risk Management Procedure:

### **Step 1: Risk Identification:**

- Identify the matrix for measuring risks (to be defined in accordance with different level of the impact and the possibility of occurrence)
- Conduct interviews with senior management and persons-in-charge of business procedures to identify the current risk exposure on company level and business level. Currently, the major risks of the Group can be categorized into strategic risk, market risk, operational risk, financial risk and legal risk.

### **Step 2: Risk Analysis and Countermeasure:**

- Analyze risks and assess the level of risk based on two criteria, namely: the degree of the impact and the possibility of occurrence;
- Identify and estimate the current risk countermeasures;
- Analyze and determine if it is necessary to formulate additional risk management measures to keep risks at acceptable level.

### **Step 3: Risk Report:**

- Sum up the result of the risk management analysis, to formulate a plan of action and to report to the Risk Management Committee
- Prepare a Risk Management Report, which should include a summary of the results of risk evaluation, the highlight on significant risks, and the action plan, etc.
- Submit the Risk Management Report to the Board for its approval.

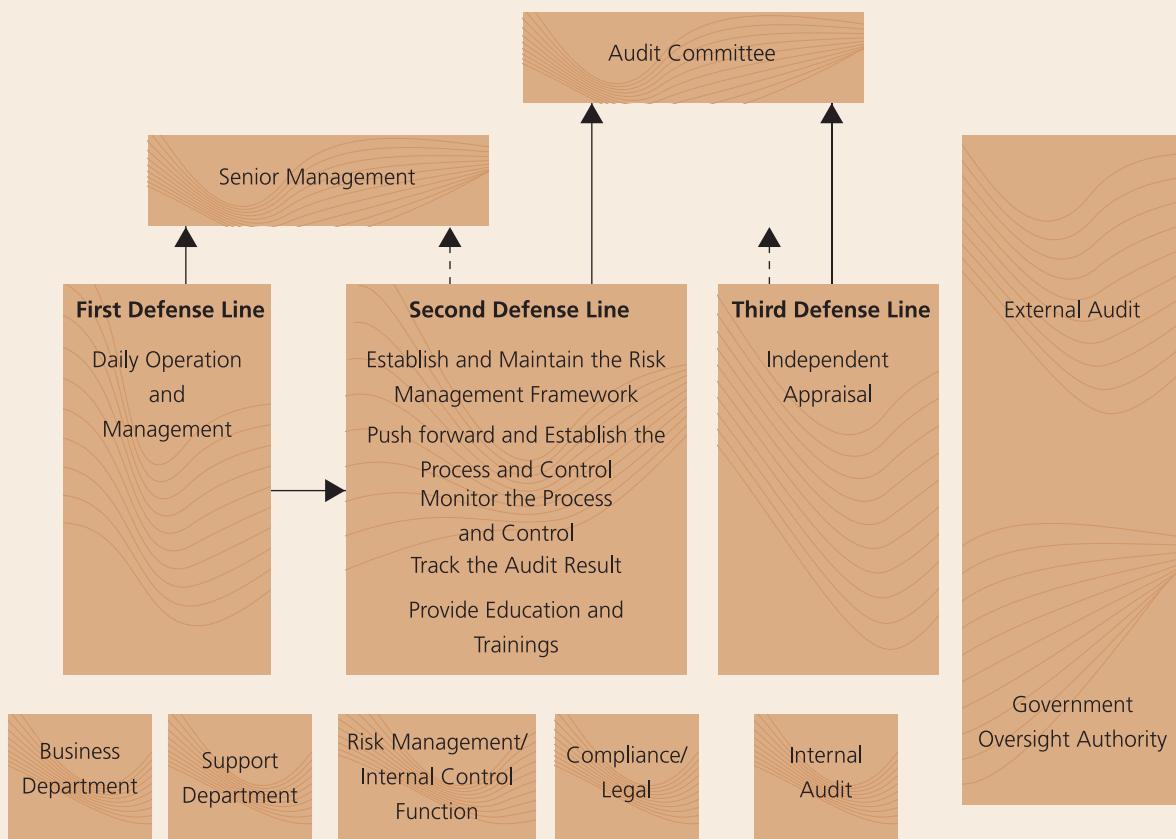
# Corporate Governance Report (Continued)

## Internal Control

The Group supports the execution and implementation of the internal control system with a 3 defense line model.

### The Structure and Functions of the 3 Defense Lines:

- First Defense Line: the management formulates an appropriate system and process and internal control measure for daily business operation
- Second Defense Line: the risk management and compliance departments and other departments responsible for policy formulation monitor the first defense line on a daily basis and conduct inspection on risk and compliance on a regular basis
- Third Defense Line: the internal audit task forces carry out supervision and evaluation with a prospective independent from the management on a continuous basis



# Corporate Governance Report (Continued)

## Internal Audit

The Group established an Internal Audit Department to review the effectiveness of its internal audit function, including the resources for internal audit function, the qualification and experience of the staff and the training courses that the staff takes and the adequacy of its related budgets.

### Procedure of Internal Control and Review

The Internal Audit Department of the Group operates on a risk-oriented approach and identifies the key risks of the Group based on the results of annual risk assessment. Analyses are conducted on the business processes which the key risks involved and the results are taken into full consideration when formulating the annual audit plan. Apart from taking into consideration the results of risk assessment, the audit plan will also take into account the concern of the Audit Committee and the management. Internal audit projects will be carried out in accordance with the audit plan to monitor the implementation of the internal control system.

If any deviation in internal control is identified during the course of auditing, the internal audit committee will communicate with the management on a timely manner to understand the causes of the problems and offer remedial opinions. Internal control reports will be prepared based on the feedbacks from the management and the rectification plans formulated by the management. Such internal control reports will be submitted to the Audit Committee for review and the internal audit committee will follow up the progress of rectification on a regular basis to ensure that rectification measures are completed in a timely manner.

### Management of Inside Information

The Secretariat of the Board is responsible for liaising with the lawyer of the Company. It will discuss the likelihood of any unexpected and significant events that may have an impact on the price and trading volume of Shares and decides whether the relevant information shall be considered as inside information and disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. A written recommendation will be formulated and submitted to the Board for consideration. The Chairman of the Board is also responsible for approving certain announcements and/or circulars issued by the Company under the authorization of the Board from time to time.

## Others

In order to reduce the potential risk from minimum tax guarantee, the Company established the Financial Control Committee. The Financial Control Committee will hold a regular meeting annually to assess the adequacy of internal capital required to fulfill the related obligation. It will acquire banking facilities when necessary and further discuss the potential risks and the level of exposure of the Group. Moreover, it will assess the adequacy of current measures in place to reduce the risks mentioned as well as formulate new business strategies and follow up measures in a timely manner.

## Adequacy and Effectiveness

The Board acknowledges that it is responsible for the risk management and the internal control system and is also responsible for conducting an overall review annually on the effectiveness of the risk management and internal control system of the Group. Through discussion, the Board is of the opinion that the risk management and internal control system is effective and adequate during 2016.

# Corporate Governance Report (Continued)

## Accountability and Audit

### Directors' Responsibilities for Financial Reporting in respect of Financial Statements

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

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

### Auditor's Statement

The statement of the Company's independent external auditor, PricewaterhouseCoopers, on its reporting responsibilities in respect of the consolidated financial statements of the Group during the Reporting Period is set out on pages 109 and 115 of this annual report.

### Auditor's Remuneration

For the year ended 31 December 2016, the remuneration payable to PricewaterhouseCoopers by the Company is set out below:

Services provided by the auditor	Remuneration (RMB'000)
Audit services	1,800
Non-audit services	939
— Interim Review	800
— Audit in relation with the Reorganisation	139
Total	2,739

### Joint Company Secretaries

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

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

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

# Corporate Governance Report (Continued)

## Shareholders' Rights

### Convening of extraordinary general meeting and putting forward proposals

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

## Constitutional Documents

On 22 September 2016, according to the resolutions passed at the extraordinary general meeting of the Company, the Company has made amendments to the articles of association as set forth below:

- (a) allowed the Board to elect two of the Directors to be co-chairmen of the Company (each a co-chairman);
- (b) provided the mechanism for determining the chairman of each meeting of the Board and the chairman of each general meeting where the Company has two co-chairmen; and
- (c) as a consequence of the above, removed the casting vote of the chairman of the meeting of the Board and the chairman of the general meeting.

Details of the amendments to the Articles of Association are set out in the Company's circular dated 24 August 2016.

An up to date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

## Communication with Shareholders and investor relations

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

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

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

China Electronics Optics Valley Union Holding Company Limited  
Unit 2197A, 21st Floor, The Center  
99 Queen's Road Central  
Central  
Hong Kong  
Attention: Ms. Zhang Xuelian  
Email: ovulR@ovuni.com

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

# Major Properties Information

The following table sets forth an overview of the business park projects and residential projects held by the Group and its joint venture as of 31 December 2016.

#	Project	Project Company	Location	A Interest Attributed to the Group	Total GFA <sup>(2)</sup> (square meters)
<b>I. Completed Properties</b>					
<i>Business Parks</i>					
1	Optics Valley Software Park (Phase I-IV) (光谷軟件園一至四期)	Wuhan Optics Valley Union	1 Guanshan Avenue, Wuhan, Hubei	100%	508,826
2	Optics Valley Software Park (Phase V) (光谷軟件園五期)	Wuhan Optics Valley Union	1 Guanshan Avenue, Wuhan, Hubei	100%	238,893
3	Optics Valley Software Park (Phase VI) (光谷軟件園六期)	Wuhan Optics Valley Software Park	1 Guanshan Avenue, Wuhan, Hubei	100%	100,106
4	Optics Valley Software Park Exhibition Center (Phase I) (光谷軟件園展示一期)	Wuhan Optics Valley Union	1 Guanshan Avenue, Wuhan, Hubei	100%	1,570
5	Optics Valley Software Park Exhibition Center (Phase II) (光谷軟件園展示中心二期)		1 Guanshan Avenue, Wuhan, Hubei	100%	26,319
6	Optics Valley Financial Harbor (Phase I) (金融港一期)	OV Financial Harbour Development	77 Guanggu Avenue, Wuhan, Hubei	100%	275,913
7	Financial Harbor (Phase II) (金融港二期)	Wuhan Optics Valley Union	77 Guanggu Avenue, Wuhan, Hubei	100%	512,367
8	Creative Capital (創意天地)	Wuhan Optics Valley Union	16 Ye Zhi Hu West Road, Hongshan District, Wuhan, Hubei	100%	386,956
9	Wuhan Research Innovation Center (Phase I) — Minghong (武漢研創中心一期 — 鳴鴻)	Wuhan Minghong	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	43,326
	Wuhan Research Innovation Center (Phase I) — Huisheng (武漢研創中心一期 — 匯盛)	Hubei Huisheng	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	18,091
10	Wuhan Research and Innovation Center (Phase II) — Huisheng (武漢研創中心二期 — 匯盛)	Hubei Huisheng	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	53,353
11	Qingdao OUV International Marine Information Harbour (1.1 Area, 1.3 Area, 1.4 Area to 1.6 Area) (青島光谷國際海洋信息港1.1區、1.3區、1.4區至1.5區)	Qingdao OUV Development	396 Emeishan Road, Qingdao, Shandong Province	100%	278,628
12	Shenyang Science and Technology City (瀋陽聯合科技城)	Shenyang OUV Development	Intersection of Sheng Jing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	100%	79,139
13	Ezhou Optics Valley Science and Technology Union City (鄂州光谷聯合科技城一期 D2-D3, D5-D9, C1-C3, C7-C9, C6-1))	Hubei Technology Accelerator	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	80%	194,955
14	Hefei Financial Harbor (合肥金融港)	Hefei OUV Development	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	80%	320,604
<i>Relationship among marked columns:</i>		$(A)=(C)+(D)+(E)+(F)+(G)$ $(B)=(C)+(D)+(E)+(F)$			

## Major Properties Information (Continued)

B GFA with Land Use Rights Obtained (square meters)	C GFA Completed <sup>(3)</sup> (square meters)	D GFA Held for Group's Own Use (square meters)	G Non-Saleable and Non- Leasable GFA <sup>(4)</sup> (square meters)		GFA Underground <sup>(3)(9)</sup> (square meters)	E Salable GFA <sup>(6)</sup> (square meters)			F GFA Available for Sale <sup>(5)(7)</sup> (square meters)	Leasable GFA <sup>(5)(6)</sup> (square meters)
			GFA and Non- Leasable GFA <sup>(4)</sup> (square meters)	GFA Underground <sup>(3)(9)</sup> (square meters)		GFA Sold <sup>(5)</sup> (square meters)	GFA Presold <sup>(5)(8)</sup> (square meters)			
457,360	508,826	—	1,495	51,466	435,888	—	541	19,437		
183,098	238,893	—	4,286	55,794	174,913	—	—	—	3,900	
80,290	100,106	—	19,225	19,817	61,065	—	—	—	—	
1,570	1,570	—	—	—	—	—	—	1,570	—	
20,717	26,319	165	—	5,602	—	—	—	—	20,552	
256,098	275,913	9,879	4,104	19,815	224,266	—	10,875	6,975		
397,557	517,573	—	12,061	114,810	377,679	3,649	1,318	2,850		
308,686	384,532	—	8,731	78,270	93,431	20,902	148,938	36,682		
41,350	43,326	—	753	1,887	16,883	4,218	19,585	—		
17,681	18,091	—	548	410	8,358	1,178	7,597	—		
43,316	53,353	3,058	—	10,036	—	—	29,908	10,351		
219,584	278,628	—	1,940	59,044	102,366	13,334	56,026	45,918		
78,277	79,139	—	1,799	862	50,696	8,666	17,117	—		
194,147	194,955	—	—	808	117,478	5,075	71,594	—		
244,500	320,604	—	2,842	76,104	83,032	2,718	140,444	15,465		

## Major Properties Information (Continued)

#	Project	Project Company	Location	A Interest Attributed to the Group	Total GFA <sup>(2)</sup> (square meters)
<b>I. Completed Properties (Continued)</b>					
<i>Business Parks (Continued)</i>					
15	Huangshi Science Technology Union City (Phase I) (黃石聯合科技城一期)	Huangshi OUV Development	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	100%	58,672
16	Beihai Project Phase I (Old Project) (北海項目一期(老項目))		West of Beihai Avenue, South of Ke Fu Road, Beihai, Guangxi Province	100%	192,639
<b>Subtotal</b>					3,290,356
<b>Residential Properties</b>					
17	Romantic Tower (麗島漫城)	Wuhan Xuefu	46 Guanggu Avenue, Wuhan, Hubei	51%	158,876
18	Lido Top View (麗島半山華府)	Huangshi Optics Valley Union	No. 76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	100%	148,271
19	Lido 2046 (麗島2046)	Wuhan Optics Valley Union	175 Xiongchu Avenue, Wuhan, Hubei Province	100%	126,629
<b>Subtotal</b>					433,775
<b>Investment Properties</b>					
20	Lido Garden (麗島花園)	United Real Estate	1 Luoshi Road, Wuhan, Hubei Province	100%	198,119
21	North Harbour Industrial Park (Lido Property) (北港工業園(麗島物業))	United Real Estate	38 Shucheng Road, Wuhan, Hubei Province	100%	3,546
22	Lido Garden (Lido Property) (麗島花園(麗島物業))	United Real Estate	1 Luoshi Road, Wuhan, Hubei Province	100%	1,122
23	North Harbour Industrial Park (Lido Technology) (北港工業園(麗島科技))	United Real Estate	38 Shucheng Road, Wuhan, Hubei Province	100%	3,683
<b>Subtotal</b>					206,471
<b>Subtotal</b>					<b>3,930,602</b>
24 <sup>(11)</sup>	Hainan Ecosystem Software Park (A, B, E, D, C land plots (Phase I)) (海南生態軟件園(A、B、E、D、C地塊一期))	Hainan Investment	Southern section situated at 0.7 km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	40%	392,323
25 <sup>(12)</sup>	Up Mason (麗島美生)	Wuhan Mason	No. 318 Minzu Avenue, Wuhan, Hubei Province	50%	153,437

*Relationship among marked columns:*

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

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

## Major Properties Information (Continued)

<b>B</b>							<b>E</b>		<b>F</b>	
	GFA with Land Use Rights Obtained (square meters)	GFA Completed <sup>(3)</sup> (square meters)	GFA Held for Group's Own Use (square meters)	Non-Saleable and Non- Leasable GFA <sup>(4)</sup> (square meters)	GFA Underground <sup>(3)(9)</sup> (square meters)	GFA Sold <sup>(5)</sup> (square meters)	GFA Presold <sup>(5)(8)</sup> (square meters)	Salable GFA <sup>(6)</sup>  Available for Sale <sup>(5)(7)</sup> (square meters)	GFA Available for Sale <sup>(5)(7)</sup> (square meters)	Leasable GFA <sup>(5)(6)</sup> (square meters)
58,672	58,672	—	—	—	—	8,192	—	48,145	2,335	
192,434	192,434	4,842	343	205	—	—	—	9,855	177,394	
2,795,338	3,292,933	17,943	58,126	494,929	1,754,246	59,741	563,513	341,858		
144,473	158,876	—	636	14,403	141,623	—	1,822	392		
148,271	148,271	—	1,189	—	130,620	164	836	15,462		
114,860	125,510	—	1,444	11,769	107,090	3,607	2,720	—		
407,604	432,656	—	3,269	26,172	379,333	3,771	5,378	15,854		
198,119 3,546	198,119 3,546	—	—	—	191,197	—	—	—	6,922 3,546 <sup>(10)</sup>	
1,122	1,122	—	—	—	—	—	—	1,122	—	
3,683	3,683	661	—	—	—	—	—	—	3,022	
206,471	206,471	661	—	—	191,197	—	1,122	13,490		
<b>3,409,412</b>	<b>3,932,059</b>	<b>18,604</b>	<b>61,395</b>	<b>521,101</b>	<b>2,324,776</b>	<b>63,512</b>	<b>570,013</b>	<b>371,201</b>		
392,323	392,323	7,621	—	—	166,874	—	103,666	114,163		
130,260	151,090	—	839	23,177	128,896	—	524	—		

## Major Properties Information (Continued)

#	Project	Project Company	City	Interest Attributed to the Group	Actual/Estimated Completion Date <sup>(2)</sup> (month/year)
<b>II. Projects under Development</b>					
<i>Business Parks</i>					
1	Ezhou Optics Valley Science and Technology Union City (鄂州光谷聯合科技城一期D4)	Hubei Technology Accelerator	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	80%	Sep 2017
2	Huangshi Science Technology Union City (Phase I) (黃石聯合科技城一期)	Huangshi OVU Development	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	100%	May 2017
3	Shenyang Science and Technology City (瀋陽聯合科技城)	Shenyang OVU Development	Intersection of Sheng Jing Da Jie and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	100%	Feb 2017
4	Qingdao Innocenter Public Housing (青島研創公租房)	Qingdao OVU Development	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	100%	Jul 2017
5	Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	Huanggang OVU Development	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	70%	May 2017
6	Qingdao Ocean Science and Technology Park (Phase I 1-20#) (青島海洋科技園一期1-20#)	Qingdao OVU Development	South of Zhang Jiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	100%	Aug 2018
7	Qingdao Innocenter (2-4#, 6-9#) (青島研創中心 (2-4#、6-9#))	Qingdao OVU Development	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	100%	Sep 2017
8	Beihai Information Harbor (北海信息港)		West of Beihai Avenue, South of Ke Fu Road, Beihai, Guangxi Province	100%	May 2017
9	China Electronics Xi'an Industrial Park (中國電子西安產業園)	CEC Xi'an Industrial Park	West of Cao Tan Tenth Road, North of Shang Ji Road, Xi'an, Shaanxi	73.91%	Oct 2017
<b>Subtotal</b>					
10 <sup>(1)</sup>	Office buildings of Phase II Project situated at land plot C of Hainan Ecosystem Software Park (海南生態軟件園C地塊二期寫字樓)	Hainan Investment	Southern section situated at 0.7 km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	40%	May 2017
11 <sup>(1)</sup>	Hotel and Car Park of Phase V Project situated at land plot C of Hainan Ecosystem Software Park (海南生態軟件園C地塊五期酒店和停車場)	Hainan Investment	Southern section situated at 0.7 km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	40%	Mar 2018

*Relationship among marked columns:*

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

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

## Major Properties Information (Continued)

A Total GFA <sup>(3)</sup> (square meters)	B GFA with Land Use Rights Obtained (square meters)	C Completed <sup>(3)</sup> (square meters)	D GFA Held for Group's Own Use (square meters)	Non-Saleable and Non- Leasable GFA <sup>(4)</sup> (square meters)		G Underground <sup>(5)(9)</sup> (square meters)	GFA Sold <sup>(5)</sup> (square meters)	E Salable GFA <sup>(6)</sup> GFA Presold <sup>(5)(8)</sup> (square meters)	F GFA Available for Sale <sup>(5)(7)</sup> (square meters)	G Leasable GFA <sup>(5)(6)</sup> (square meters)
10,306	10,306	—	—	—	—	—	—	—	10,306	—
38,404	37,710	—	—	—	—	694	—	—	37,710	—
1,715	1,715	—	1,715	—	—	—	—	—	—	—
25,656	21,296	—	—	—	—	4,359	—	—	3,068	18,228
43,766	43,766								43,766	
44,574	39,687					4,887			39,687	
60,839	53,527					7,312			53,527	
53,715	52,696					1,019			52,696	—
135,610	116,385		3,000			19,225			105,562	7,823
<b>414,585</b>	<b>377,088</b>	<b>—</b>	<b>4,715</b>	<b>—</b>	<b>37,496</b>	<b>—</b>	<b>—</b>	<b>346,322</b>	<b>26,051</b>	
199,827	199,827								199,827	
53,534	45,492					8,042			45,492	

## Major Properties Information (Continued)

#	Project	Project Company	City	Interest Attributed to the Group	Actual/Estimated Completion Date <sup>(2)</sup> (month/year)
<b>III. Projects Planned for Future Development</b>					
<i>Business Parks</i>					
1	Wuhan Research and Innovation Center (Phase III) — Minghong (武漢研創中心三期) — 鳴鴻	Wuhan Minghong	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	May 2019
2	Wuhan Research and Innovation Center (Phase III) — Huisheng (武漢研創中心三期) — 匯盛	Hubei Huisheng	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	100%	May 2019
3	Qingdao Optics Valley Software Park Zones 1.2 and 1.7 area (青島光谷軟件園1.2、1.7區)	Qingdao OVU Development	396 Emeishan Road, Qingdao, Shandong Province	100%	Dec 2019
4	Qingdao Ocean Science and Technology Park (Phase I) (青島海洋科技園一期)	Qingdao OVU Development	South of Zhang Jiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	100%	Dec 2019
5	Qingdao Research and Innovation Center (1#, 5#) (青島研創中心1#、5#)	Qingdao OVU Development	Intersection of Seven Star Avenue and Fourth Ring Road, Shenbei New District, Shenyang City, Liaoning Province	100%	Oct 2018
6	Shenyang Science and Technology City (瀋陽聯合科技城)	Shenyang OVU Development	Intersection of Sheng Jing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	100%	Nov 2018
7	Shenyang Information Harbor (瀋陽信息港)	Shenyang OVU Development	Shenyang	100%	Jul 2018
8	Ezhou Optics Valley Science and Technology Union City (Phase I) (鄂州光谷聯合科技城一期)	Hubei Technology Accelerator	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	80%	Sep 2018
9	Hefei Financial Harbor (合肥金融港)	Hefei OVU Development	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	80%	Oct 2020
10	Huangshi Science Technology Union City (Phase I) (黃石聯合科技城一期)	Huangshi OVU Development	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	100%	Dec 2018
11	Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	Huanggang OVU Development	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	70%	Dec 2017
12	Beihai Industrial Park (北海產業園)	CEC Beihai Industrial Park	West of Beihai Avenue, South of Ke Fu Road, Beihai, Guangxi Province	100%	Dec 2018
13	Wenzhou Industrial Park	CEC Wenzhou Industrial Park	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou City, Zhejiang Province	60%	Apr 2021

*Relationship among marked columns:*

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

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

## Major Properties Information (Continued)

A Total GFA <sup>(3)</sup> (square meters)	B Land Use Rights Obtained (square meters)	C GFA Completed <sup>(3)</sup> (square meters)	D Non-Saleable GFA Held for Group's Own Use (square meters)				E Salable GFA <sup>(6)</sup>			F GFA Available for Sale <sup>(5)(7)</sup> (square meters)	Leasable GFA <sup>(5)(6)</sup> (square meters)
			Non-Saleable and Non- Leasable GFA <sup>(4)</sup> (square meters)		GFA Underground <sup>(5)(9)</sup> (square meters)	GFA Sold <sup>(5)</sup> (square meters)	GFA Presold <sup>(5)(8)</sup> (square meters)				
			GFA with Rights Obtained (square meters)	GFA Completed <sup>(3)</sup> (square meters)	GFA Group's Own Use (square meters)	GFA Underground <sup>(5)(9)</sup> (square meters)	GFA Sold <sup>(5)</sup> (square meters)	GFA Presold <sup>(5)(8)</sup> (square meters)			
57,113	50,003	—	—	—	200	7,110	—	—	49,803	—	—
57,155	50,003	—	—	—	200	7,152	—	—	49,803	—	—
167,216	140,738	—	2,922	—	—	26,477	—	—	137,816	—	—
152,476	127,363	—	6,800	—	—	25,113	—	—	120,563	—	—
49,885	42,619	—	—	—	—	7,266	—	—	42,619	—	—
104,807	91,393	—	—	—	—	13,413	—	—	91,393	—	—
109,528	108,559	—	—	—	—	968	—	—	108,559	—	—
168,862	132,317	—	—	—	—	36,545	—	—	132,317	—	—
288,056	216,331	—	—	—	—	71,726	—	—	206,008	10,323	—
93,524	93,524	—	—	—	—	—	—	—	93,524	—	—
111,568	111,568	—	—	—	—	—	—	—	111,568	—	—
196,375	172,432	—	—	—	—	23,943	—	—	172,432	—	—
399,927	369,027	—	1,107	—	—	30,900	—	—	367,920	—	—

## Major Properties Information (Continued)

#	Project	Project Company	City	Interest Attributed to the Group	Actual/Estimated Completion Date <sup>(2)</sup> (month/year)
<b>III. Projects Planned for Future Development (Continued)</b>					
<i>Business Parks (Continued)</i>					
14	Xi'an Industrial Park	CEC Xi'an Industrial Park	West of Cao Tan Tenth Road, North of Shang Ji Road, Xi'an, Shaanxi	73.91%	Dec 2018
<b>Subtotal</b>					
15 <sup>(1)</sup>	Hainan Ecosystem Software Industrial (Land Plots A, C, E and G) (海南生態軟件業園 (A、C、E、G地塊))	Hainan Investment	Southern section situated at 0.7 km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	40%	Oct 2020
16	Beihai Taiwan Road Land Plot (北海台灣路地塊)	Guangxi Future Estate	East of Nanzhu Avenue, North of Taiwan Road, Beihai City, Guangxi Province	49.74%	Dec 2019
<b>I to III Total</b>					

Relationship among marked columns:

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

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

## Major Properties Information (Continued)

A	B	C	D	G	E	F				
Total GFA <sup>(3)</sup>	GFA with Land Use Rights Obtained	GFA Completed <sup>(3)</sup>	GFA Held for Group's Own Use	Non-Saleable and Non- Leasable GFA <sup>(4)</sup>	GFA Underground <sup>(5)(9)</sup>	GFA Sold <sup>(5)</sup>	GFA Presold <sup>(5)(8)</sup>	Salable GFA <sup>(6)</sup>	GFA Available for Sale <sup>(5)(7)</sup>	GFA Leasable GFA <sup>(5)(6)</sup>
186,085		186,085						186,085		
<b>2,142,576</b>	<b>1,891,963</b>	<b>—</b>	<b>10,829</b>	<b>400</b>	<b>250,614</b>	<b>—</b>	<b>—</b>	<b>1,870,411</b>	<b>10,323</b>	
610,627		610,627						610,627		
300,334		300,334						300,334		
<b>8,197,846</b>	<b>7,357,327</b>	<b>4,475,472</b>	<b>41,769</b>	<b>62,634</b>	<b>840,430</b>	<b>2,620,546</b>	<b>63,512</b>	<b>4,047,216</b>	<b>521,738</b>	

## Major Properties Information (Continued)

Notes:

- (1) The estimated completion date of a project reflects the Group's best estimate based on its current development plan for the projects.
- (2) "Total GFA" in respect of each completed property is based on figures provided in the record of acceptance examination upon project completion in respect of the project for which the Group has obtained the permit, or in some case, its internal records and estimates based on an independent report. "Total GFA" in respect of each project under development is based on figures provided in (i) the construction works commencement permit in respect of the project for which the Group has obtained the permit but not yet obtained the record of acceptance examination upon project completion, (ii) the planning permit for construction works (建設工程規劃許可證) in respect of the project for which the Group has obtained the planning permit for construction works but not yet obtained the construction works commencement permit, or (iii) the Group's internal records and estimates. It includes attributable value of amenities.
- (3) "GFA Completed" is based on figures provided in real property certificates, construction and planning permits, surveying reports or records for the acceptance examination upon project completion (竣工驗收備案證明) by the relevant government departments.
- (4) "Non-Saleable and Non-Leasable GFA" of properties includes the GFA of certain area above ground used as public car parking spaces and other ancillary facilities.
- (5) The following figures are based on the Group's internal records and estimates: (a) "GFA Sold", (b) "GFA Pre-sold", (c) "GFA Available for Sale", (d) "Leasable GFA" and (e) "Underground GFA".
- (6) "Leasable GFA" represents the total GFA of investment properties in each project which the Group holds and leases for recurring rental income.
- (7) "Saleable GFA" in respect of each completed project represents the GFA designated by the Group for sale but has not been sold; "Saleable GFA" in respect of each project under development represents estimated GFA that is designated by us for sale, being among the GFA that is leasable or saleable according to the pre-sale permit (預售許可證) or, where the pre-sale permit is not yet available, the Group's internal records and estimates.
- (8) Figures for "GFA Pre-sold" are based on the Group's internal records. A property is pre-sold when a binding sales agreement has been executed.
- (9) "Underground GFA" of properties includes the GFA of certain underground areas used as car parking spaces and other ancillary facilities (including storage rooms, equipment facilities and power supply stations). Save for Lido Garden, the Group does not have titles to or land use rights of the underground car parking spaces in respect of its projects other than an entitlement to use (使用權) them in accordance with the relevant construction and planning permits and the local general practices in Wuhan. The Group has titles to the underground car parking spaces in Lido Garden.
- (10) The total GFA of 3,083 sq.m. excludes the construction of insulation structure for fire prevention. With the total GFA of that structure included, the total GFA would be 3,546 sq.m..
- (11) During the Reporting Period, as the Group only holds a 40% equity interest in the project company, the project company's financial information was not included in the Group's consolidated financial statements.
- (12) During the Reporting Period, as the Group only holds a 50% equity interest in the project company, the project company's financial information was not included in the Group's consolidated financial statements.

# Independent Auditor's Report



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

## Opinion

### What we have audited

The consolidated financial statements of China Electronics Optics Valley Union Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 116 to 199, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

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

### Independence

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

# Independent Auditor's Report (Continued)

## Key Audit Matters

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

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

- Accounting for the acquisition of China Electronics Technology Development Co., Ltd. ("CEC Technology")
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Accounting for the acquisition of CEC Technology</b>  During the year ended 31 December 2016, the Group acquired 100% equity interest of CEC Technology from China Electronics Corporation Holdings Company Limited ("CEC Holding"), details of the acquisition are disclosed in Note 6 to the consolidated financial statements.  Accounting for the acquisition requires the Group to determine the date of acquisition of CEC Technology (the "Acquisition Date") for accounting purposes and the fair values of the identifiable assets and liabilities assumed at the Acquisition Date. Management engaged an external valuer to assess the fair values of the identifiable assets and liabilities assumed at the Acquisition Date. The fair values of the properties of CEC Technology and its associates and joint ventures at the Acquisition Date, which mainly included properties under development, completed properties held for sale and investment properties, were determined based on direct comparison approach or investment approach, while the fair values of other material identifiable assets and liabilities at the Acquisition Date, which mainly included cash and cash equivalents, trade and other receivables, investments in associates and joint ventures, trade and other payables, bank and other borrowings, and current and deferred income tax liabilities, were determined mainly based on their respective book values at the Acquisition Date. We consider the accounting for this acquisition as a key audit matter due to the level of estimates and judgements required to determine the Acquisition Date for accounting purposes and the fair values of the identifiable assets and liabilities assumed at the Acquisition Date.	<p>Our audit procedures included:</p> <p>(a) For the Acquisition Date</p> <p>We assessed the appropriateness of the Acquisition Date determined by management through examining the terms in the transaction documents and other supporting documents for evidence if all pre-conditions for completion were fulfilled and the controlling power over CEC Technology had been obtained by the Company at the Acquisition Date.</p> <p>(b) For the fair values of the identifiable assets and liabilities assumed at the Acquisition Date.</p> <p>(i) We assessed the competency, capability and objectivity of the external valuer engaged by the Company.</p> <p>(ii) We obtained the valuation report and assessed the appropriateness of the valuation methods applied to determine the fair values of the identifiable assets and liabilities assumed at the Acquisition Date.</p> <p>(iii) For the valuation of the properties of CEC Technology and its associates and joint ventures:</p> <p>— For properties under development, completed properties held for sale and investment properties, we assessed the reasonableness of relevant key assumptions used in the valuations including estimated price per square meter, term yield, reversionary yield, market rental rate and developer's profit margin of the selected properties by independently gathering and analysing the data of comparable properties in the market with similar characteristics such as location and property size.</p>

# Independent Auditor's Report (Continued)

## Key Audit Matter

## How our audit addressed the Key Audit Matter

— For properties under development and investment properties under construction, we further assessed the reasonableness of estimated development costs to completion of the selected properties by comparison with the approved budget, of which the reasonableness was assessed by comparison with the actual costs of completed properties of the Group.

(iv) For the fair values of other material identifiable assets and liabilities at the Acquisition Date, we performed certain audit procedures which mainly included:

- Confirmed bank balances, borrowings and certain debtors' and creditors' balances directly with the counterparties;
- Reconciled the amounts of investments in associates and joint ventures with the fair values of net assets of the respective associates and joint ventures;
- Performed cut-off tests on trade receivables and payables;
- Checked the calculation of current income tax provision and deferred income tax liabilities.

We noted that the judgment made by management in determining the Acquisition Date for accounting purposes and the key assumptions and estimates used in determining the fair values of the identifiable assets and liabilities assumed at the Acquisition Date were supportable by available evidences.

# Independent Auditor's Report (Continued)

## Key Audit Matter

### Valuation of investment properties

Refer to Note 16 to the consolidated financial statements.

The Group's investment properties are measured at fair value model and carried at approximately RMB2,221 million as at 31 December 2016 and fair value gains of approximately RMB180 million were recognised for the year then ended. The fair values of investment properties are determined by the Group based on the valuations performed by external valuers engaged by the Group.

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

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

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

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

## How our audit addressed the Key Audit Matter

Our audit procedures included:

- (i) We assessed the competence, capabilities and objectivity of the external valuers engaged by the Group.
- (ii) We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied.
- (iii) We assessed the reasonableness of relevant key assumptions used in the valuations including term yield, reversionary yield, market rental rate, estimated price per square meter and developer's profit margin of the selected properties by independently gathering and analysing the data of comparable properties in the market with similar characteristics such as location and property size.
- (iv) We checked the key assumption, estimated development costs to completion, of the selected investment properties under construction with the approved budget, of which the reasonableness was assessed by comparison with the actual costs of completed investment properties of the Group.

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

# Independent Auditor's Report (Continued)

## Other Information

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

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

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

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

## Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

## Independent Auditor's Report (Continued)

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

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

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

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

## Independent Auditor's Report (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 23 March 2017

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Revenue</b>	5	<b>2,594,701</b>	1,903,840
Cost of sales	8	(1,783,078)	(1,311,834)
<b>Gross profit</b>		<b>811,623</b>	592,006
Other income and gains — net	7	<b>214,246</b>	27,488
Selling and distribution expenses	8	(84,517)	(64,083)
Administrative expenses	8	(251,985)	(167,093)
Fair value gains on investment properties	16	<b>179,589</b>	345,638
<b>Operating profit</b>		<b>868,956</b>	733,956
Finance income	10	<b>46,810</b>	34,788
Finance costs	10	(118,110)	(12,474)
Net finance (costs)/income		(71,300)	22,314
Share of losses of associates	11(b)	(37,045)	(644)
Share of profits/(losses) of joint ventures	11(b)	<b>414</b>	(7,598)
<b>Profit before income tax</b>		<b>761,025</b>	748,028
Income tax expense	12	(291,530)	(243,438)
<b>Profit for the year</b>		<b>469,495</b>	504,590
<b>Profit attributable to:</b>			
— Owners of the Company		<b>431,925</b>	499,886
— Non-controlling interests		<b>37,570</b>	4,704
<b>Profit for the year</b>		<b>469,495</b>	504,590
<b>Basic and diluted earnings per share (RMB cents)</b>	13	<b>7.18</b>	12.50

The notes on pages 123 to 199 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Profit for the year</b>		<b>469,495</b>	504,590
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
— Revaluation of property, plant and equipment		<b>14,051</b>	17,925
upon transfer to investment properties, net of tax			
Items that may be reclassified to profit or loss:			
— Currency translation differences		<b>34,679</b>	305
<b>Other comprehensive income for the year, net of tax</b>		<b>48,730</b>	18,230
<b>Total comprehensive income for the year</b>		<b>518,225</b>	522,820
<b>Attributable to:</b>			
— Owners of the Company		<b>480,655</b>	518,116
— Non-controlling interests		<b>37,570</b>	4,704
<b>Total comprehensive income for the year</b>		<b>518,225</b>	522,820

The notes on pages 123 to 199 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	15	407,575	274,915
Investment properties	16	2,220,540	1,225,700
Land use rights	14	2,207	—
Intangible assets	17	4,515	4,248
Investments in associates	11(b)	444,715	13,215
Investments in joint ventures	11(b)	168,153	36,051
Available-for-sale financial assets	19	10,000	13,000
Trade and other receivables	23	252,318	—
Deferred income tax assets	31	45,077	68,318
		<b>3,555,100</b>	1,635,447
<b>Current assets</b>			
Properties under development	20	1,483,295	2,443,551
Completed properties held for sale	21	2,935,645	2,317,286
Inventories and contracting work-in-progress	22	130,429	232,544
Trade and other receivables	23	1,412,645	610,373
Current income tax assets		5,318	6,661
Available-for-sale financial assets	19	6,000	—
Restricted cash	24	208,904	150,466
Cash and cash equivalents	25	1,812,583	901,364
		<b>7,994,819</b>	6,662,245
Non-current assets classified as held for sale	26	<b>28,200</b>	19,000
Assets of disposal group held for sale	27	—	576,736
		<b>8,023,019</b>	7,257,981
<b>Current liabilities</b>			
Trade and other payables	28	1,711,231	2,075,713
Corporate bonds	29	7,350	531,434
Bank and other borrowings	30	1,588,180	1,292,316
Current income tax liabilities		271,068	126,372
Current portion of deferred income	32	4,330	4,087
		<b>3,582,159</b>	4,029,922
Liabilities directly associated with non-current assets classified as held for sale		—	2,598
Liabilities of disposal group held for sale	27	—	48,645
		<b>3,582,159</b>	4,081,165
<b>Net current assets</b>		<b>4,440,860</b>	3,176,816
<b>Total assets less current liabilities</b>		<b>7,995,960</b>	4,812,263

# Consolidated Statement of Financial Position (Continued)

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Non-current liabilities</b>			
Corporate bonds	29	<b>569,573</b>	560,544
Bank and other borrowings	30	<b>1,064,820</b>	991,000
Deferred income tax liabilities	31	<b>239,682</b>	171,676
Non-current portion of deferred income	32	<b>38,969</b>	36,783
		<b>1,913,044</b>	1,760,003
<b>Net assets</b>		<b>6,082,916</b>	3,052,260
<b>Equity</b>			
Share capital	33	<b>658,680</b>	316,800
Treasury shares	33	<b>(110,105)</b>	—
Reserves	34	<b>3,448,902</b>	1,150,334
Retained earnings	35	<b>1,693,875</b>	1,298,502
Total equity attributable to owners of the Company		<b>5,691,352</b>	2,765,636
Non-controlling interests		<b>391,564</b>	286,624
<b>Total equity</b>		<b>6,082,916</b>	3,052,260
<b>Total equity and non-current liabilities</b>		<b>7,995,960</b>	4,812,263

The notes on pages 123 to 199 are an integral part of these consolidated financial statements.

The financial statements on pages 116 to 122 were approved by the Board of Directors on 23 March 2017 and were signed on its behalf.

**Huang Liping**  
*Director*

**Hu Bin**  
*Director*

# Consolidated Statement of Changes in Equity

Note	Attributable to owners of the Company											Non-controlling interests RMB'000	Total equity RMB'000		
	Share capital RMB'000		Treasury shares RMB'000		Share premium RMB'000		Exchange reserve RMB'000		Property revaluation reserve RMB'000		Statutory reserve RMB'000	Other reserves RMB'000	Total reserves RMB'000	Retained earnings RMB'000	
At 1 January 2016	316,800	—	284,062	1,262	17,925	263,064	584,021	1,150,334	1,298,502	2,765,636	286,624	286,624	3,052,260		
Total comprehensive income for the year	—	—	—	34,679	14,051	—	—	48,730	431,925	480,655	37,570	37,570	518,225		
Transactions with owners, recognised directly in equity															
Appropriation to statutory reserve	—	—	—	—	—	36,552	—	36,552	(36,552)	—	—	—	—	—	—
Non-controlling interests arising on business combination	6	—	—	—	—	—	—	—	—	—	96,811	96,811	96,811		
Issue of new shares	6	341,880	—	2,419,080	—	—	—	—	2,419,080	—	2,760,960	—	2,760,960		
Capital injection from non-controlling shareholders		—	—	—	—	—	—	—	—	—	135,595	135,595	135,595		
Partial capital reduction by non-controlling interests		—	—	—	—	—	—	—	—	—	(35,280)	(35,280)	(35,280)		
Transaction with non-controlling interests		—	—	—	—	—	—	(66)	(66)	—	(66)	475	409		
Dividends	36	—	—	(205,728)	—	—	—	—	(205,728)	—	(205,728)	(10,290)	(216,018)		
Shares purchased for a share award scheme	33	—	(110,105)	—	—	—	—	—	—	—	(110,105)	—	(110,105)		
Disposal of subsidiaries	27	—	—	—	—	—	—	—	—	—	(119,941)	(119,941)	(119,941)		
Total transactions with owners, recognised directly in equity		341,880	(110,105)	2,213,352	—	—	36,552	(66)	2,249,838	(36,552)	2,445,061	67,370	2,512,431		
Balance at 31 December 2016		658,680	(110,105)	2,497,414	35,941	31,976	299,616	583,955	3,448,902	1,693,875	5,691,352	391,564	6,082,916		

# Consolidated Statement of Changes in Equity (Continued)

	Attributable to owners of the Company										
Note	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Property			Total reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
				Revaluation reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000					
<b>At 1 January 2015</b>	316,800	284,062	957	—	233,594	584,780	1,103,393	929,027	2,349,220	235,819	2,585,039
<b>Total comprehensive income for the year</b>	—	—	305	17,925	—	—	18,230	499,886	518,116	4,704	522,820
<b>Transactions with owners, recognised directly in equity</b>											
Appropriation to statutory reserve	—	—	—	—	29,470	—	29,470	(29,470)	—	—	—
Non-controlling interests on business combination	—	—	—	—	—	—	—	—	—	5,342	5,342
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	40,000	40,000
Transaction with non-controlling interests	—	—	—	—	—	(759)	(759)	—	(759)	759	—
Dividends	36	—	—	—	—	—	—	(100,941)	(100,941)	—	(100,941)
<b>Total transactions with owners, recognised directly in equity</b>	—	—	—	—	29,470	(759)	28,711	(130,411)	(101,700)	46,101	(55,599)
<b>Balance at 31 December 2015</b>	316,800	284,062	1,262	17,925	263,064	584,021	1,150,334	1,298,502	2,765,636	286,624	3,052,260

The notes on pages 123 to 199 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	1,031,268	196,803
Income tax paid		(144,190)	(162,938)
<b>Cash flows generated from operating activities</b>		<b>887,078</b>	33,865
<b>Cash flows from investing activities</b>			
Acquisition of a subsidiary, net of cash received	6	81,292	—
Proceeds from disposal of subsidiaries, net of cash received	7	187,432	350,000
Interest received		39,242	34,788
Proceeds from disposal of investment properties		65,165	—
Proceeds from disposal of property, plant and equipment	37	329	855
Proceeds from disposal of available-for-sale financial assets	19	44,500	—
Investments in associates	11(b)	(32,543)	(13,098)
Investments in joint venture	11(b)	(10)	(3,400)
Proceeds from capital reduction in a joint venture		—	60,000
Purchase of property, plant and equipment		(97,815)	(31,707)
Purchase of investment properties		(46,155)	(60,300)
Prepayments for acquisition of certain equity interests	23	(208,318)	(50,000)
Prepayments for acquisition of certain properties	23	(44,000)	—
Purchase of intangible assets		(1,017)	(381)
Purchase of available-for-sale financial assets		—	(3,000)
<b>Cash flows (used in)/generated from investing activities</b>		<b>(11,898)</b>	283,757
<b>Cash flows from financing activities</b>			
Proceeds from issue of new shares	6	1,991,944	—
Proceeds from bank and other borrowings	30	1,847,000	1,544,620
Proceeds from issue of corporate bonds	29	—	199,000
Decrease/(increase) in restricted cash		8,664	(10,668)
Repayment of corporate bonds	29	(500,000)	(300,000)
Repayment of bank and other borrowings	30	(2,822,636)	(1,400,150)
Repayment of loans from non-controlling interests		—	(18,842)
Repayment of loans from other related parties		—	(20,000)
Payments for purchase of shares for restricted share award schemes	33	(110,105)	—
Interest paid		(286,838)	(285,523)
Dividends paid to the owners of the Company		(205,728)	(100,941)
Dividends paid to non-controlling interests		(10,290)	—
Capital injection by non-controlling interests		135,595	40,000
Proceeds from disposal of non-controlling interests		409	—
Partial capital reduction by non-controlling interests		(35,280)	—
<b>Cash flows generated from/(used in) financing activities</b>		<b>12,735</b>	(352,504)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>887,915</b>	(34,882)
Cash and cash equivalents at beginning of the year		901,472	936,977
Effect of foreign exchange rate changes		23,196	(623)
<b>Cash and cash equivalents at end of the year</b>		<b>1,812,583</b>	901,472

The notes on pages 123 to 199 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(Expressed in thousand of Renminbi unless otherwise indicated)

## 1 General Information

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2017.

## 2 Summary of Significant Accounting Policies

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures

- (i) The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on 1 January 2016, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.
- (ii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted

Effective for the financial year beginning on or after		
IAS 12 (Amendments)	Income taxes	1 January 2017
IAS 7 (Amendments)	Statement of cash flows	1 January 2017
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

None of the above new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 15 set out below:

The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- Revenue from pre-sales of properties under development may not be recognised at a point in time. Instead, some may be resulted in recognition of revenue over a period of time depending on the terms of the contract,

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures (Continued)

(ii) (Continued)

- The timing of revenue recognition for sale of a completed property, which is currently based on whether significant risk and reward of ownership of properties transfer, may also need to be revisited under the control transfer model, and
- The Group currently offers different payment plans to customers, which may have to adjust the transaction price for revenue recognition when significant financial component exists.

At this stage, the Group is not able to quantify the impact of the new standard on the Group's consolidated financial statements. The Group is performing a more detailed assessment on the impact to the Group.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

##### (a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

##### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.2 Separate financial statements

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

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

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

### 2.5 Segment reporting

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

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is Hong Kong Dollar ("HKD"), the consolidated financial statements are presented in RMB as the Group's business is carried out in the PRC.

#### (b) Transactions and balances

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.6 Foreign currency translation (Continued)

#### (b) Transactions and balances (Continued)

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

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

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

#### (c) Group companies

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

- (1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (3) All resulting currency translation differences are recognised in other comprehensive income.

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.7 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and gains — net' in the statement of profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.8 Investment property

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

### 2.9 Intangible assets

#### Computer software

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

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

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

### 2.10 Impairment of non-financial assets

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

### 2.12 Financial assets

#### 2.12.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and 'cash and cash equivalents' in the balance sheet (Notes 2.18 and 2.19).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### 2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.13 Offsetting financial instruments

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

### 2.14 Impairment of financial assets

#### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

#### (b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.15 Properties under development

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

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

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

### 2.16 Completed properties held for sale

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

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

### 2.17 Inventories and contracting work-in-progress

#### (a) Inventories

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

#### (b) Contracting work-in-progress

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as inventories and contracting work-in-progress. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as trade and other payables. Advances received from customers are presented as trade and other payables.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.12.2 for further information about the Group's accounting for trade receivables and Note 2.14 for a description of the Group's impairment policies.

### 2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### 2.20 Share capital

Ordinary shares are classified as equity.

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

### 2.21 Treasury shares

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

### 2.22 Trade payables

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

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.23 Borrowings

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

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

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

### 2.24 Borrowing costs

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

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

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

### 2.25 Current and deferred income tax

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

#### (a) Current income tax

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.25 Current and deferred income tax (Continued)

#### (b) Deferred income tax

##### Inside basis differences

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

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

##### Outside basis differences

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

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

#### (c) Offsetting

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.26 Employee benefits

#### (a) Pension obligations

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

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

#### (b) Profit-sharing and bonus plans

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

### 2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for properties and services in the ordinary course of the Group's activities, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

#### (a) Sales of properties

Revenue from sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the buyers.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance.

#### (b) Rental income

Rental income from investment property is recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.27 Revenue recognition (Continued)

#### (c) Energy supply initial fee

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

#### (d) Service fee income

Service fee income in relation to design and development management services, property management service, advertising service and other ancillary services are recognised when such services are provided to customers.

#### (e) Construction contracts

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

### 2.28 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

### 2.29 Dividend income

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

### 2.30 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

### 2.31 Dividend distribution

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

## 3 Financial Risk Management

### 3.1 Financial risk factors

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

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 3 Financial Risk Management (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk

##### (i) Foreign exchange risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. As at 31 December 2016 and 2015, the group companies had no significant foreign currency denominated monetary assets and monetary liabilities with respect to their respective functional currencies, therefore the directors of the Company consider that the Group has no significant exposure to foreign exchange risk.

##### (ii) Interest rate risk

The Group's interest rate risk arises from cash and cash equivalents, restricted and pledged deposits and borrowings issued at variable rates. During 2016 and 2015, the Group's borrowings at variable rate were denominated in the RMB.

The Group does not anticipate significant impact to cash and cash equivalents, restricted and pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans and other borrowings of the Group are disclosed in Note 30. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2016, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB5,374,000 (2015: RMB2,096,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. The sensitivity analysis has not excluded the financial impact of capitalised interest expense.

#### (b) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and receivable from construction contracts, which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 3 Financial Risk Management (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in Note 38, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 38.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 23.

#### (c) Liquidity risk

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

**For the year ended 31 December 2016**

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

**For the year ended 31 December 2015**

	Carrying amount RMB'000	Contractual cash flow RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank and other borrowings	2,283,316	2,470,445	1,389,046	456,424	624,975
Corporate bonds	1,091,978	1,316,200	583,900	44,100	688,200
Trade and other payables (excluded receipts in advance and accrued payroll)	1,793,625	1,793,625	1,793,625	—	—
	5,168,919	5,580,270	3,766,571	500,524	1,313,175

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 3 Financial Risk Management (Continued)

### 3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' and 'corporate bonds' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Total borrowings (Note 29 and Note 30) Less: cash and cash equivalents (Note 25)	<b>3,229,923</b> <b>(1,812,583)</b>	3,375,294 (901,364)
Net debt	<b>1,417,340</b>	2,473,930
Total equity	<b>6,082,916</b>	3,052,260
Total capital	<b>7,500,256</b>	5,526,190
<b>Gearing ratio</b>	<b>18.90%</b>	44.77%

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 3 Financial Risk Management (Continued)

### 3.3 Fair value estimation (Continued)

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

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

The following table presents the Group's financial assets that are measured at fair value at 31 December 2015:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities	—	—	13,000	13,000

#### (a) Financial instruments in level 1

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

#### (b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 3 Financial Risk Management (Continued)

### 3.3 Fair value estimation (Continued)

#### (c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the years ended 31 December 2016 and 2015:

	Available-for-sale financial assets	
	2016 RMB'000	2015 RMB'000
Opening balance at 1 January	13,000	10,000
Addition	—	3,000
Addition from acquisition of a subsidiary (Note 6)	50,500	—
Transfer to an associate (Note 11(b))	(3,000)	—
Disposal	(44,500)	—
Closing balance at 31 December	16,000	13,000
Recognised gains for the year included in "other income and gains — net "	—	—

## 4 Critical Accounting Estimates and Judgements

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

### 4.1 Critical accounting estimates and assumptions

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

#### (a) Fair values of the identifiable assets and liabilities assumed at the date of acquisition of CEC Technology

As disclosed in Note 6, the Company acquired 100% equity interest in CEC Technology. The determination of the fair values of the identifiable assets and liabilities assumed at the acquisition date involved significant judgements and estimates, details of which are set out in Note 6.

#### (b) Fair value of investment properties

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 4 Critical Accounting Estimates and Judgements (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### (c) Write-down of inventories for property development

As explained in Note 2.15 and 2.16, the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

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

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

Based on management's best estimates, there was no impairment for completed properties held for sale and properties under development as at 31 December 2016 and 2015.

#### (d) Recognition of deferred tax assets

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

#### (e) Provision for PRC land appreciation tax ("LAT")

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 4 Critical Accounting Estimates and Judgements (Continued)

### 4.2 Critical judgement in applying the Company's accounting policies

#### (a) Acquisition date of CEC Technology for accounting purposes (Note 6)

Management has assessed the acquisition date of CEC Technology based on when the pre-conditions for completion as set out in the relevant transaction documents have been fulfilled and when the controlling power over CEC Technology has been obtained, and determined that 30 June 2016 is the acquisition date for accounting purposes.

#### (b) Income tax

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

According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. During the year, the directors reassessed the cash requirements of the Group and the dividend policies of its major subsidiaries established in the PRC, based on the Group's current business plan and financial position, the directors considered that the retained earnings of the PRC subsidiaries as at 31 December 2016 would not be distributed to their overseas holding companies in the foreseeable future and thus no deferred tax liability was provided accordingly.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 5 Segment Information

The Group manages its businesses by business lines (products and services). In prior years, the Group had identified five segments, namely property development and investment holding, construction contract, property leasing, development management services and business operation services. During the second half of 2016, to better align with the Group's business strategy and to reflect the growth of the Group's light-asset businesses, the Group has combined the property development and investment holding, and property leasing segments into one segment, the industrial park development business segment, which represents the Group's heavy-asset businesses; in addition, the construction contract and development management services segments were aggregated into one segment, the construction and management services segment, as both of them are related to industrial park construction services; the Group also changed the name of business operation services segment to industrial park operation services to reflect the Group's focus on industrial park; a new business segment, the industrial investment, which represents the Group's venture investment business has been identified during the year. As a result of the above changes, the segment information for the year ended 31 December 2015 was re-presented for comparison purposes. At 31 December 2016, the Group has the following four segments:

- Industrial park development: this segment develops and sells industrial parks and ancillary residential properties. It also includes leasing self-owned park properties to generate rental income and capital gains from the appreciation in the properties' values in the long term.
- Construction and management services: this segment provides services relating to the construction of a number of office and residential buildings for some of the Group's customers. These buildings are constructed based on specifically negotiated contracts with customers. It also provides project management and consultation service for the certain projects under construction.
- Industrial park operation services: this segment provides property management service, district heating and cooling service and other services for industrial parks.
- Industrial investment: this segment represents the Group's industrial-related strategic investments in certain start-up companies. Management consider this segment not reportable as at 31 December 2016 as its revenue, profit or loss and assets are all less than 10% of those of the Group.

### (a) Segment results

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

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 5 Segment Information (Continued)

### (a) Segment results (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

**For the year ended 31 December 2016**

	Industrial park development RMB'000	Construction and management services RMB'000	Industrial park operation services RMB'000	Total RMB'000
Segment revenue	2,074,935	375,863	393,112	2,843,910
Inter-segment revenue	(20,990)	(206,395)	(21,824)	(249,209)
Revenue from external customers	2,053,945	169,468	371,288	2,594,701
Segment results	647,714	5,558	36,095	689,367
Depreciation and amortisation	(19,589)	(11,779)	(4,694)	(36,062)

**For the year ended 31 December 2015**

	Industrial park development RMB'000	Construction and management services RMB'000	Industrial park operation services RMB'000	Total RMB'000
Segment revenue	1,575,311	346,068	287,135	2,208,514
Inter-segment revenue	(1,520)	(263,267)	(39,887)	(304,674)
Revenue from external customers	1,573,791	82,801	247,248	1,903,840
Segment results	346,357	3,441	38,520	388,318
Depreciation and amortisation	(9,585)	(9,047)	(4,208)	(22,840)

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 5 Segment Information (Continued)

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

	2016 RMB'000	2015 RMB'000
Segment results	<b>689,367</b>	388,318
Fair value gains on investment properties	<b>179,589</b>	345,638
Share of losses of associates	<b>(37,045)</b>	(644)
Share of profits/(losses) of joint ventures	<b>414</b>	(7,598)
Finance income	<b>46,810</b>	34,788
Finance costs	<b>(118,110)</b>	(12,474)
Income tax expense	<b>(291,530)</b>	(243,438)
Profit for the year	<b>469,495</b>	504,590

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

	2016 RMB'000	2015 RMB'000
<b>Industrial park development</b>		
Sales of industrial park properties	<b>1,463,163</b>	843,867
Sales of ancillary residential properties	<b>507,011</b>	689,070
Self-owned park property leasing	<b>83,771</b>	40,854
	<b>2,053,945</b>	1,573,791
<b>Construction and management services</b>		
Construction contract	<b>156,056</b>	66,659
Development management services	<b>13,412</b>	16,142
	<b>169,468</b>	82,801
<b>Industrial park operation services</b>		
Property management	<b>239,478</b>	159,143
District heating and cooling service	<b>53,668</b>	47,683
Others	<b>78,142</b>	40,422
	<b>371,288</b>	247,248
<b>Total</b>	<b>2,594,701</b>	1,903,840

The Group's entire revenue is attributable to the market in Mainland China and over 95% of the Group's non-current assets other than financial instruments and deferred income tax assets are located in Mainland China. No geographical information is therefore presented.

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 6 Business Combination

On 14 December 2015, China Electronics Corporation Holdings Company Limited ("CECH") (as vendor) entered into an equity interest transfer agreement with the Company and AAA Finance & Investment Limited ("HK 3A"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company (as purchasers), pursuant to which CECH had conditionally agreed to sell, and the Company and HK 3A had conditionally agreed to acquire, 100% of the equity interest in CEC Technology for a consideration of the 1,058,530,083 new ordinary shares to be issued by the Company to CECH upon the equity transfer completion credited as fully paid, at the consideration price of HK\$0.8 per share.

On 14 December 2015, CECH (as subscriber) entered into the subscription agreement with the Company (as the issuer), pursuant to which the Company had conditionally agreed to allot and issue, and CECH had conditionally agreed to subscribe in cash, 1,491,469,917 new ordinary shares of the Company to be subscribed for by CECH, credited as fully paid, at the subscription price of HK\$0.8 per share.

On 14 December 2015, the Company (as the issuer) entered into the placing agreement with a third party, China Everbright Securities (HK) Limited ("China Everbright"), pursuant to which China Everbright had conditionally agreed to place, on a fully underwritten basis, 1,450,000,000 new ordinary shares of the Company (failing which China Everbright would subscribe for the untaken placing shares), credited as fully paid, to not less than six placees at the placing price of HK\$0.8 per share.

On 30 June 2016, the above three transactions were completed and as a result, the Company issued 4,000,000,000 ordinary shares and CEC Technology has become a wholly-owned subsidiary of the Company since then. After deducting the commission fee of RMB19,316,000 paid to China Everbright, the net proceeds from issue of the subscription and placing shares amounted to RMB1,991,944,000. Share capital of RMB341,880,000 and share premium of RMB2,419,080,000 were recognised in equity as a result of the above three transactions. As at 30 June 2016, CECH held 2,550,000,000 ordinary shares of the Company, which accounts for 31.875% of the Company's total number of ordinary shares. Accordingly, the Company has become an associate of CECH since 30 June 2016. The acquisition of CEC Technology is expected to increase the Group's market share and reduce cost through economies of scale.

The Company engaged an external valuer named DTZ Cushman & Wakefield Limited to assess the fair values of the identifiable assets and liabilities assumed at the acquisition date. The fair values of the properties of CEC Technology and its associates and joint ventures at the acquisition date, which mainly included properties under development, completed properties held for sale and investment properties were determined based on direct comparison approach or investment approach, while the fair values of other material identifiable assets and liabilities at the acquisition date, which mainly included cash and cash equivalents, trade and other receivables, investments in associates and joint ventures, trade and other payables, bank and other borrowings, and current and deferred income tax liabilities were determined mainly based on their respective book values at the acquisition date. The key assumptions used in the valuations of the properties included estimated price per square meter, term yield, reversionary yield, market rental rate, developer's profit margin and development costs to completion.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 6 Business Combination (Continued)

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

	RMB'000
Purchase consideration — Issue of 1,058,530,083 ordinary shares	769,017

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

	RMB'000
Cash and cash equivalents	81,292
Property, plant and equipment	54,268
Investment properties	552,620
Land use rights	2,264
Intangible assets	6
Investments in associates	433,002
Investments in joint ventures	131,927
Available-for-sale financial assets	50,500
Deferred income tax assets	25,904
Inventories	331,887
Trade and other receivables	756,024
Trade and other payables	(99,977)
Current income tax liabilities	(55,308)
Bank and other borrowings	(1,345,320)
Deferred income tax liabilities	(53,261)
Total identifiable net assets	865,828
Non-controlling interests	(96,811)
Goodwill	—
Acquisition-related costs (included in administrative expenses in the consolidated statement of profit or loss)	7,682
Cash inflow on acquisition	81,292

The fair value of the 1,058,530,083 ordinary shares issued as consideration was determined based on the HKD0.85 of published stock price of the Company on 30 June 2016.

The acquired business contributed revenue and net loss to the Group since 30 June 2016 amounting to RMB49,760,000 and RMB28,399,000 respectively.

Had CEC Technology been consolidated from 1 January 2016, the consolidated statement of profit or loss of the Group would show pro-forma revenue of RMB2,659,719,000 and profit for the year of RMB498,824,000.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 7 Other Income and Gains — Net

	2016 RMB'000	2015 RMB'000
Gain on disposal of subsidiaries (i)	<b>128,559</b>	—
Government subsidies (ii)	<b>86,119</b>	28,391
Compensation income	<b>489</b>	8,378
Net gains on disposal of property, plant and equipment	<b>70</b>	27
Losses on disposal of investment properties	<b>(1,535)</b>	—
Others	<b>544</b>	(9,308)
	<b>214,246</b>	27,488

- (i) On 17 November 2015, Wuhan Optics Valley Union Group Co., Ltd. ("Wuhan Optics Valley Union") (as vendor), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Hubei Science & Technology Investment Group Co., Ltd. ("Hubei Science & Technology Investment") (as purchaser), for the conditional sale and purchase of its 70% equity interest in Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. ("Technology Park"), together with the loan owed by Technology Park Co., Ltd. to Wuhan Optics Valley Union, for a consideration of RMB267,310,000.

On the same day, Wuhan Optics Valley Union (as vendor) entered into another sale and purchase agreement with Hubei Science & Technology Investment (as purchaser), for the conditional sale and purchase of its 70% equity interest in Wuhan Financial Harbour Development Co., Ltd. ("Financial Harbour"), together with the loan owed by Financial Harbour to Wuhan Optics Valley Union, for a consideration of RMB270,122,000.

Accordingly, assets and liabilities of these companies were presented as disposal Group held for sale as at 31 December 2015.

On 16 January 2016, the underlying transactions pursuant to the abovementioned sale and purchase agreements (the "Disposals") were approved by the independent shareholders of the Company. The Disposals were completed on 18 January 2016 and the Group received the remaining cash consideration of RMB187,432,000 during the year. The Disposals resulted in a disposal gain of RMB128,559,000 and a decrease in non-controlling interests of RMB119,941,000. Following the completion of the Disposals, the Group no longer has any equity interest in Technology Park and Financial Harbour, and these companies ceased to be subsidiaries of the Company.

- (ii) In 2016 and 2015, the Group received various government subsidies from different local government authorities as a recognition of the Group's contributions to the relevant governments.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 8 Expenses by Nature

	2016 RMB'000	2015 RMB'000
Depreciation	35,249	22,353
Amortisation	813	487
Employee benefit expenses (Note 9)	324,853	225,014
Cost of properties sold	1,361,929	1,063,035
Cost of construction services	75,953	13,499
Outsourcing costs for property management	125,107	50,331
Operating lease payments	1,468	2,491
Auditors' remuneration		
— Audit services	1,800	2,000
— Non-audit services	939	500
Other professional service fees	15,177	9,304
Advertising costs	24,866	23,400
Other expenses	151,426	130,596
<b>Total cost of sales, selling and distribution expenses and administrative expenses</b>	<b>2,119,580</b>	1,543,010

## 9 Employee Benefit Expenses

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	304,032	203,042
Contributions to defined contribution retirement schemes	20,821	21,972
	<b>324,853</b>	225,014

### (a) Defined contribution retirement schemes

As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 18% to 20% (2015: 18% to 20%) of the eligible salary of its employees on a monthly basis. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 9 Employee Benefit Expense (Continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: three) directors whose emoluments are reflected in the analysis shown in Note 43. The emoluments payable to the remaining three (2015: two) individuals during the year are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	5,291	3,270
Retirement schemes contribution	34	17
	<b>5,325</b>	3,287

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

	2016	2015
HKD1,000,001 to HKD1,500,000	—	1
HKD1,500,001 to HKD2,000,000	1	—
HKD2,000,001 to HKD2,500,000	2	—
HKD2,500,001 to HKD3,000,000	—	1
	<b>3</b>	2

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 10 Finance Income and Costs

	2016 RMB'000	2015 RMB'000
Interest expenses	<b>(271,783)</b>	(291,237)
Capitalised interest expenses	<b>154,127</b>	279,364
Net foreign exchange losses	<b>(454)</b>	(601)
Finance costs	<b>(118,110)</b>	(12,474)
Interest income from bank deposits	<b>28,016</b>	34,305
Interest income from entrusted loan (Note 40(a(ii)))	<b>18,760</b>	—
Income from available-for-sale financial assets	<b>34</b>	483
Finance income	<b>46,810</b>	34,788
<b>Net finance (costs)/income</b>	<b>(71,300)</b>	22,314

Borrowing costs arising on financing specifically arranged for the construction of properties were capitalised using the rates ranged from 4.75% to 7.07% (2015: 4.79% to 9.64%) per annum, and other borrowing costs were capitalised using an average interest rate of 7.55% (2015: 7.50%) per annum.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 11(a) Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2016:

Name of company	Place of incorporation and kind of legal entity	Paid-in/ registered capital	Effective interest held by the Company		Principal activities and place of operation
			Direct	Indirect	
AAA Holdings Limited ("BVI 3A")	British Virgin Islands Limited liability company	USD100/ USD50,000	100%	—	Investment holding in British Virgin Islands
AAA Finance & Investment Limited ("HK 3A") 三A銀信投資有限公司	Hong Kong Limited liability company	HKD1,190,476/ HKD10,000,000	—	100%	Investment holding in Hong Kong
United Real Estate (Wuhan) Co., Ltd. ("Wuhan United Real Estate") 聯合置業 (武漢) 有限公司*	The PRC Limited liability company	RMB1,250,000,000	—	100%	Property development in the PRC
China Electronics Technology Development Co., Ltd. ("CEC Technology") 中國電子科技開發有限公司	The PRC Limited liability company	RMB100,000,000		100%	Investment holding in the PRC
Wuhan Optics Valley Union Group Co., Ltd. ("Wuhan Optics Valley Union") 武漢光谷聯合集團有限公司*	The PRC Limited liability company	RMB1,630,000,000	—	100%	Property development in the PRC
Huangshi Optics Valley Union Development Co., Ltd. ("Huangshi OVU Development") 黃石光谷聯合發展有限公司*	The PRC Limited liability company	RMB100,000,000	—	100%	Property development in the PRC
Qingdao Optics Valley Union Development Co., Ltd. ("Qingdao OVU Development") 青島光谷聯合發展有限公司*	The PRC Limited liability company	RMB200,000,000	—	100%	Property development in the PRC
Wuhan Xuefu Property Co., Ltd. ("Wuhan Xuefu")武漢學府房地產有限公司*	The PRC Limited liability company	RMB80,000,000	—	51%	Property development in the PRC
Hubei Huisheng Technology Development Co., Ltd. ("Hubei Huisheng") 湖北匯盛科技發展有限公司*	The PRC Limited liability company	RMB21,000,000	—	100%	Property development in the PRC

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 11(a) Subsidiaries (Continued)

Name of company	Place of incorporation and kind of legal entity	Paid-in/registered capital	Effective interest held by the Company		Principal activities and place of operation
			Direct	Indirect	
Wuhan Minghong Technology Development Co., Ltd. ("Wuhan Minghong") 武漢鳴鴻科技發展有限公司*	The PRC Limited liability company	RMB30,000,000	—	100%	Property development in the PRC
Wuhan Lido Technology Company Limited ("Wuhan Lido Technology") 武漢麗島科技有限公司*	The PRC Limited liability company	RMB190,000,000	—	100%	Construction services in the PRC
Wuhan Jitian Construction Co., Ltd. ("Wuhan Jitian Construction") 武漢吉天建設工程有限公司*	The PRC Limited liability company	RMB210,000,000	—	100%	Construction services in the PRC
Wuhan Optics Valley Energy Conservation Technology Co., Ltd. 武漢光谷節能技術有限公司*	The PRC Limited liability company	RMB62,400,000/ RMB66,000,000	—	87%	Energy-saving technique development in the PRC
Wuhan Lido Property Management Co., Ltd. ("Wuhan Lido Property Management") 武漢麗島物業管理有限公司*	The PRC Limited liability company	RMB210,000,000	—	100%	Property management services in the PRC
Shenyang Optics Valley Union Development Co., Ltd. ("Shenyang OVU Development") 瀋陽光谷聯合發展有限公司*	The PRC Limited liability company	RMB100,000,000	—	100%	Property development in the PRC
Hubei Technology Enterprise Accelerator Co., Ltd. 湖北科技企業加速器有限公司*	The PRC Limited liability company	RMB150,000,000	—	80%	Property development in the PRC
Hefei Optics Valley Union Development Co., Ltd 合肥光谷聯合發展有限公司*	The PRC Limited liability company	RMB100,000,000	—	80%	Property development in the PRC
Huanggang Optics Valley Union Development Co Ltd. (Huanggang Optics Valley Union) 黃岡光谷聯合發展有限公司*	The PRC Limited liability company	RMB200,000,000	—	70%	Property development in the PRC

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 11(a) Subsidiaries (Continued)

Name of company	Place of incorporation and kind of legal entity	Paid-in/registered capital	Effective interest held by the Company		Principal activities and place of operation
			Direct	Indirect	
Wuhan Ziyuantang Art Co., Ltd 武漢紫緣堂藝術品有限公司*	The PRC Limited liability company	RMB9,600,000/ RMB100,000,000	—	100%	Exhibition related service in the PRC
Wuhan Echoliv Idea Technology Company Limited 武漢擎木創意科技有限公司*	The PRC Limited liability company	RMB11,200,000/ RMB40,000,000	—	67%	House furnishing services in the PRC
Wuhan Optics Valley Union Properties Investment Fund Limited Partnership 武漢光谷聯合產業投資基金 合夥企業 (有限合夥)	The PRC Limited Partnership	RMB61,310,000/ RMB100,000,000	—	99%	Investment fund in the PRC
China Electronics Wenzhou Industrial Park Development Co., Ltd. 中國電子溫州產業園發展有限公司*	The PRC Limited liability company	RMB450,000,000/ RMB500,000,000	—	60%	Property development in the PRC
China Electronics Xi'an Industrial Park Development Co., Ltd. 中國電子西安產業園發展有限公司*	The PRC Limited liability company	RMB103,500,000/ RMB103,500,000	—	73.91%	Property development in the PRC
China Electronics Beihai Industrial Park Development Co., Ltd. 中國電子北海產業園發展有限公司*	The PRC Limited liability company	RMB200,000,000/ RMB200,000,000	—	100%	Property development in the PRC
Wenzhou China Electronics United Municipal Infrastructure Co., Ltd. 溫州中電聯合市政基礎設施有限公司*	The PRC Limited liability company	RMB40,000,000/ RMB100,000,000	—	60%	Construction services in the PRC
Wuhan Yudatong Venture Investment Fund Limited Partnership 武漢譽達通創業投資基金 合夥企業(有限合夥)*	The PRC Limited Partnership	RMB 50,000,000	—	61%	Investment fund in the PRC

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

As at 31 December 2016 and 2015, none of the non-controlling interest of the non-wholly owned subsidiaries was material to the Group.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 11(b) Investments Accounted for Using the Equity Method

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

	2016 RMB'000	2015 RMB'000
Associates	<b>444,715</b>	13,215
Joint ventures	<b>168,153</b>	36,051
<b>At 31 December</b>	<b>612,868</b>	49,266

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

	2016 RMB'000	2015 RMB'000
Associates	<b>(37,045)</b>	(644)
Joint ventures	<b>414</b>	(7,598)
<b>For the year ended 31 December</b>	<b>(36,631)</b>	(8,242)

### Investments in associates

	2016 RMB'000	2015 RMB'000
At 1 January	<b>13,215</b>	761
Addition from acquisition of a subsidiary (Note 6)	<b>433,002</b>	—
Other additions	<b>32,543</b>	13,098
Share of losses	<b>(37,045)</b>	(644)
Transfer from available-for-sale financial assets (Note 19)	<b>3,000</b>	—
<b>At 31 December</b>	<b>444,715</b>	13,215

List of principal associates as at 31 December 2016 is as follows:

Name	Place of establishment and type of legal entity	Principal place of operation and activities	Registered and paid-in capital	Interest held
Hainan Resort Software Community Investment and Development Co., Ltd ("Hainan Investment")	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB160,000,000	40.00%
Wuhan Easylinkin Technology Co., Ltd.	PRC, limited liability company	PRC, development of computer software	RMB25,000,000	31.47%

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 11(b) Investments Accounted for Using the Equity Method (Continued)

### Investment in associates (Continued)

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

	At 31 December 2016 RMB'000
Total current assets and liabilities	<b>1,930,129</b>
Assets	<b>1,930,129</b>
Liabilities	<b>(1,403,474)</b>
Net current assets	<b>526,655</b>
Total non-current assets and liabilities	<b>945,139</b>
Assets	<b>945,139</b>
Liabilities	<b>(484,406)</b>
Net non-current assets	<b>460,733</b>
Net assets	<b>987,388</b>
Interest held by the Group	<b>40%</b>
Carrying amount at 31 December	<b>394,955</b>
	2016 RMB'000
Revenue	<b>89,260</b>
Loss after income tax	<b>(95,118)</b>
Other comprehensive income	<b>—</b>
Total comprehensive loss	<b>(95,118)</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 11(b) Investments Accounted for Using the Equity Method (Continued)

### Investment in associates (Continued)

The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2016 RMB'000	2015 RMB'000
Total carrying amount of individually immaterial associates in consolidated financial statements	<b>49,760</b>	13,215
Individually immaterial associates' results attributed to the Group: Profits/(losses) for the year	<b>1,002</b>	(644)
Total comprehensive income/(loss)	<b>1,002</b>	(644)

There are no significant contingent liabilities relating to the Group's interests in the associates as at 31 December 2016 and 2015.

### Investment in joint ventures

	2016 RMB'000	2015 RMB'000
At 1 January	<b>36,051</b>	165,249
Addition from acquisition of a subsidiary (Note 6)	<b>131,927</b>	—
Other additions	<b>10</b>	3,400
Share of profits/(losses)	<b>414</b>	(7,598)
Dividend received	<b>—</b>	(65,000)
Transfer to subsidiary	<b>(249)</b>	—
Partial capital reduction	<b>—</b>	(60,000)
<b>At 31 December</b>	<b>168,153</b>	36,051

List of major joint ventures as at 31 December 2016 is as follows:

Name	Place of establishment and type of legal entity	Principal place of operation and activities	Registered and paid-in capital	Interest held
Wuhan Mason Investment Land Co.,Ltd ("Wuhan Mason")	PRC, limited liability company	PRC, development and sale of properties	RMB30,000,000	50.00%
Guangxi CEC Future Investment Land Co., Ltd ("Guangxi Future Land")	PRC, limited liability company	PRC, development and sale of properties	RMB200,000,000	28.9%

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 11(b) Investments Accounted for Using the Equity Method (Continued)

### Investment in joint ventures (Continued)

The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2016 RMB'000	2015 RMB'000
Total carrying amount of individually immaterial associates in consolidated financial statements	<b>168,153</b>	36,051
Individually immaterial joint ventures' results attributed to the Group: Profits/(losses) for the year	<b>414</b>	(7,598)
<b>Total comprehensive income/ (losses)</b>	<b>414</b>	(7,598)

There were no significant commitments and contingent liabilities relating to the Group's interest in the joint ventures as at 31 December 2016 and 2015.

## 12 Income Tax Expense

	2016 RMB'000	2015 RMB'000
Current tax:		
PRC Corporate Income Tax ("CIT")	<b>121,718</b>	91,705
LAT	<b>110,605</b>	65,976
<b>Total current tax</b>	<b>232,323</b>	157,681
Deferred tax (Note 31):		
Origination and reversal of temporary differences	<b>59,207</b>	85,757
<b>Income tax expense</b>	<b>291,530</b>	243,438

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 12 Income Tax Expense (Continued)

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

	2016 RMB'000	2015 RMB'000
<b>Profit before tax:</b>	<b>761,025</b>	748,028
Tax calculated at domestic statutory tax rate of 25% (Note (i) to (iii))	<b>190,256</b>	187,007
 Tax effects of:		
— Income not subject to tax	—	(602)
— Share of results of associates and joint ventures	9,158	2,061
— Expenses not deductible for tax purposes	3,363	4,855
— Adopting prescribed tax calculation method by PRC subsidiaries (Note (iii))	(468)	(1,263)
— Different tax rates applicable to different subsidiaries of the Group	3,302	—
— Reversal of PRC dividend withholding tax (Note (4.2(b)))	(4,817)	(247)
— Tax losses for which no deferred income tax asset was recognised	7,782	2,145
LAT in relation to completed properties sold (Note (iv))	110,605	65,976
Tax effects of LAT	(27,651)	(16,494)
 <b>Income tax expense</b>	<b>291,530</b>	243,438

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.
- (ii) No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax for 2016.
- (iii) Effective from 1 January 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified. According to the approvals from the local tax authorities, the assessable profits of certain subsidiaries of the Group were calculated based on 8% to 11% of their respective gross revenues for the year.
- (iv) LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 13 Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (Note 33).

	2016	2015
Profit attributable to owners of the Company (RMB'000)	<b>431,925</b>	499,886
Weighted average number of ordinary shares in issue (thousands)	<b>6,015,326</b>	4,000,000
Basic earnings per share (RMB cents)	<b>7.18</b>	12.50

There were no potential dilutive ordinary shares in 2016 and 2015, diluted earnings per share therefore equals to basic earnings per share.

## 14 Land Use Rights

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

	2016 RMB'000
At 1 January	—
Addition from acquisition of a subsidiary (Note 6)	<b>2,264</b>
Amortisation	<b>(57)</b>
At 31 December	<b>2,207</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 15 Property, Plant and Equipment

	Buildings RMB'000	Machines RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Year ended 31 December 2016</b>						
Opening net book amount	160,086	74,516	6,815	29,281	4,217	274,915
Transfer from construction in progress	3,574	26,603	—	107	(30,284)	—
Transfer from completed properties held for sale	71,832	—	—	—	—	71,832
Additions from acquisition of a subsidiary (Note 6)	36,820	1,995	2,958	989	11,506	54,268
Revaluation of buildings reclassified to investment properties	18,734	—	—	—	—	18,734
Other additions	13,545	5,298	544	10,186	68,242	97,815
Transfer to investment properties (Note 16)	(74,481)	—	—	—	—	(74,481)
Depreciation charges (Note 8)	(12,629)	(10,051)	(3,401)	(9,168)	—	(35,249)
Disposals	—	(6)	(179)	(74)	—	(259)
Closing net book amount	217,481	98,355	6,737	31,321	53,681	407,575
<b>At 31 December 2016</b>						
Cost	241,245	133,787	36,084	57,499	53,681	522,296
Accumulated depreciation	(23,764)	(35,432)	(29,347)	(26,178)	—	(114,721)
<b>Net book amount</b>	<b>217,481</b>	<b>98,355</b>	<b>6,737</b>	<b>31,321</b>	<b>53,681</b>	<b>407,575</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 15 Property, Plant and Equipment (Continued)

	Buildings RMB'000	Machines RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2015</b>						
Cost	86,525	81,536	29,654	28,055	106,179	331,949
Accumulated depreciation	(7,625)	(15,810)	(18,326)	(11,404)	—	(53,165)
<b>Net book amount</b>	<b>78,900</b>	<b>65,726</b>	<b>11,328</b>	<b>16,651</b>	<b>106,179</b>	<b>278,784</b>
<b>Year ended 31 December 2015</b>						
Opening net book amount	78,900	65,726	11,328	16,651	106,179	278,784
Transfer from construction in progress	95,632	16,260	—	13,777	(125,669)	—
Transfer from completed properties held for sale	25,910	—	—	—	—	25,910
Additions from acquisition of subsidiaries	—	—	—	395	—	395
Revaluation of buildings reclassified to investment properties	23,900	—	—	—	—	23,900
Other additions	2,705	738	846	3,711	23,707	31,707
Transfer to investment properties (Note 16)	(62,600)	—	—	—	—	(62,600)
Depreciation charges (Note 8)	(4,361)	(8,208)	(4,874)	(4,910)	—	(22,353)
Disposals	—	—	(485)	(343)	—	(828)
Closing net book amount	160,086	74,516	6,815	29,281	4,217	274,915
<b>At 31 December 2015</b>						
Cost	170,483	98,534	29,598	45,262	4,217	348,094
Accumulated depreciation	(10,397)	(24,018)	(22,783)	(15,981)	—	(73,179)
<b>Net book amount</b>	<b>160,086</b>	<b>74,516</b>	<b>6,815</b>	<b>29,281</b>	<b>4,217</b>	<b>274,915</b>

Depreciation expense of RMB18,238,000 (2015: RMB10,302,000) has been charged in 'cost of goods sold', RMB1,133,000 (2015: RMB1,466,000) in 'selling and distribution expenses' and RMB15,878,000 (2015: RMB10,585,000) in 'administrative expenses'.

Property, plant and equipment with an aggregate carrying value of RMB28,030,000 (2015: RMB48,655,000) as at 31 December 2016 were pledged for certain bank loans granted to the Group (Note 30).

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 16 Investment Properties

	2016 RMB'000	2015 RMB'000
Opening balance at 1 January	<b>1,225,700</b>	527,510
Addition from acquisition of a subsidiary (Note 6)	<b>552,620</b>	—
Transfer from property, plant and equipment	<b>74,481</b>	62,600
Transfer from completed properties held for sale	<b>387,895</b>	248,652
Other additions	<b>46,155</b>	60,300
Net gains from fair value adjustment	<b>179,589</b>	345,638
Disposals	<b>(47,700)</b>	—
Transfer to properties under development	<b>(170,000)</b>	—
Transfer to non-current assets classified as held for sale (Note 26)	<b>(28,200)</b>	(19,000)
 Closing balance at 31 December	<b>2,220,540</b>	1,225,700

### (a) Amounts recognised in profit and loss for investment properties

	2016 RMB'000	2015 RMB'000
Rental income	<b>53,527</b>	26,395
Direct operating expenses from property that generated rental income	<b>4,356</b>	2,369

As at 31 December 2016, the Group had no contractual obligations for future repairs and maintenance (2015: Nil).

Certain bank loans granted to the Group were jointly secured by certain investment properties with an aggregate fair value of RMB416,090,000 (2015: RMB189,926,000) as at 31 December 2016 (Note 30).

Investment properties comprise a number of commercial and residential properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 2 years to 15 years.

The Group's investment properties carried at fair value were revalued as at 31 December 2016 mainly by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors. During 2016, a total gain of RMB179,589,000 (2015: RMB345,638,000), and deferred tax thereon of RMB46,530,000 (2015: RMB86,409,500), were recognised in the consolidated statement of profit or loss.

As at 31 December 2016, certain investment properties of the Group with carrying value of RMB1,082,220,000 (2015: RMB704,490,000), were without building ownership certificate. The Group was in progress of obtaining the relevant building ownership certificate.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 16 Investment Properties (Continued)

All investment properties are categorised within level 3 of fair value hierarchy as at 31 December 2016 and 2015.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

### Fair value measurements using significant unobservable inputs (Level 3)

	Investment properties	2016	2015
	RMB'000	RMB'000	
As fair value			
Opening balance at 1 January	<b>1,225,700</b>	527,510	
Addition from acquisition of a subsidiary (Note 6)	<b>552,620</b>	—	
Transfer from property, plant and equipment	<b>74,481</b>	62,600	
Transfer from completed properties held for sale	<b>387,895</b>	248,652	
Other additions	<b>46,155</b>	60,300	
Net gains from fair value adjustment (Note 16)	<b>179,589</b>	345,638	
Disposal	<b>(47,700)</b>	—	
Transfer to properties under development	<b>(170,000)</b>	—	
Transfer to non-current assets classified as held for sale (Note 26)	<b>(28,200)</b>	(19,000)	
Closing balance at 31 December	<b>2,220,540</b>	1,225,700	
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "fair value gains on investment properties"	<b>179,589</b>	345,638	
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	<b>179,589</b>	345,638	

### Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's management will review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the management and valuers at least on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assess property valuations movements when compared to the prior year valuation reports;
- Holds discussions with the independent valuer.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 16 Investment Properties (Continued)

### Valuation techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Investment approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or
- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (level 3):

Description	Fair value at		Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
	31 Dec 2016 (RMB'000)	Valuation technique(s)			
Completed investment properties	2,158,440	Direct comparison	Adjusted market price (RMB/sq.m)	4,200–32,000	The higher the direct comparison price, the higher the fair value.
		Investment approach	Market rental rate (RMB/sq.m)	17.2 — 166.67	The higher the market monthly rental rate, the higher the fair value.
			Term yield	3.75%–7.0%	The higher the term yield, the lower the fair value.
			Reversionary rate	3.75%–7.0%	The higher the reversionary rate, the lower the fair value.
Investment properties under construction	62,100	Residual method	Budgeted construction costs to be	26,374–54,021	The higher the budgeted construction cost, the higher the fair value.
			Remaining percentage to completion	23.7%–66.4%	The higher the remaining percentage to completion, the lower the fair value.
			Anticipated developer's profit margin	10%–15%	The higher the anticipated developer's profit, the higher the fair value.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 16 Investment Properties (Continued)

Description	Fair value at 31 Dec 2015 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Completed investment properties	1,078,900	Direct comparison	Adjusted market price (RMB/sq.m)	4,300–35,000	The higher the direct comparison price, the higher the fair value.
		Investment approach	Market rental rate (RMB/sq.m)	17.2 — 143.0	The higher the market monthly rental rate, the higher the fair value.
			Term yield	3.75%–7.0%	The higher the term yield, the lower the fair value.
			Reversionary rate	3.75%–7.0%	The higher the term yield, the lower the fair value
Investment properties under construction	146,800	Residual method	Budgeted construction costs to be incurred	54,545–137,021	The higher the budgeted construction cost, the higher the fair value.
			Remaining percentage to completion	63.45%–65.56%	The higher the remaining percentage to completion, the lower the fair value.
			Anticipated developer's profit margin	20%	The higher the anticipated developer's profit, the higher the fair value.

There were no significant inter-relationships between unobservable inputs that materially affect fair values, except for those stated in these financial statements.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 17 Intangible Assets

	Software	
	2016	2015
	RMB'000	RMB'000
<b>At 1 January</b>		
Cost	<b>7,238</b>	6,857
Accumulated amortisation and impairment	<b>(2,990)</b>	(2,503)
<b>Net book amount</b>	<b>4,248</b>	4,354
<b>Year ended 31 December</b>		
Opening net book amount	<b>4,248</b>	4,354
Additions	<b>1,017</b>	381
Addition from acquisition of a subsidiary (Note 6)	<b>6</b>	—
Amortisation charge	<b>(756)</b>	(487)
<b>Closing net book amount</b>	<b>4,515</b>	4,248
<b>At 31 December</b>		
Cost	<b>8,262</b>	7,238
Accumulated amortisation and impairment	<b>(3,747)</b>	(2,990)
<b>Net book amount</b>	<b>4,515</b>	4,248

Amortisation of RMB756,000 (2015: RMB487,000) is included in the 'administrative expenses' the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 18 Financial Instruments by Category

	Note	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
<b>Assets</b>				
<b>At 31 December 2016</b>				
Available-for-sale financial assets	19	—	16,000	16,000
Trade and other receivables excluding prepayments	23	1,252,930	—	1,252,930
Restricted cash	24	208,904	—	208,904
Cash and cash equivalents	25	1,812,583	—	1,812,583
<b>Total</b>		<b>3,274,417</b>	<b>16,000</b>	<b>3,290,417</b>
<b>Assets</b>				
<b>At 31 December 2015</b>				
Available-for-sale financial assets	19	—	13,000	13,000
Trade and other receivables excluding prepayments	23	485,206	—	485,206
Restricted cash	24	150,466	—	150,466
Cash and cash equivalents	25	901,364	—	901,364
<b>Total</b>		<b>1,537,036</b>	<b>13,000</b>	<b>1,550,036</b>
<b>Financial liabilities stated at amortised cost</b>				
	Note	RMB'000		
<b>Liabilities</b>				
<b>At 31 December 2016</b>				
Trade and other payables excluding non-financial liabilities	28	—	1,328,224	1,328,224
Corporate bonds	29	—	576,923	576,923
Bank and other borrowings	30	—	2,653,000	2,653,000
<b>Total</b>				<b>4,558,147</b>
<b>Liabilities</b>				
<b>At 31 December 2015</b>				
Trade and other payables excluding non-financial liabilities	28	—	1,793,625	1,793,625
Corporate bonds	29	—	1,091,978	1,091,978
Bank and other borrowings	30	—	2,283,316	2,283,316
<b>Total</b>				<b>5,168,919</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 19 Available-for-sale Financial Assets

	2016 RMB'000	2015 RMB'000
<b>At 1 January</b>	<b>13,000</b>	10,000
Addition from acquisition of a subsidiary (Note 6)	50,500	—
Additions	—	3,000
Transfer to associate	(3,000)	—
Disposal	(44,500)	—
<b>At 31 December</b>	<b>16,000</b>	13,000
Less: non-current portion	(10,000)	(13,000)
<b>Current portion</b>	<b>6,000</b>	—

Available-for-sale financial assets include the following:

	2016 RMB'000	2015 RMB'000
Unlisted securities — PRC:	10,000	13,000
Wealth management products	6,000	—
	<b>16,000</b>	13,000

The maximum exposure to credit risk at the reporting date is the carrying value.

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

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 20 Properties Under Development

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
<b>Expected to be completed for sale within one year</b>		
Properties under development for sale	<b>551,566</b>	1,110,806
<b>Expected to be completed for sale after more than one year</b>		
Properties under development for sale	<b>931,729</b>	1,332,745
	<b>1,483,295</b>	2,443,551

Note: Properties under development for sale is after netting off benefits from government grants of RMB4,620,000 (2015: RMB22,847,000) as at 31 December 2016. Pursuant to the agreements between the Group's subsidiaries and local governments, such grants are for subsidising the infrastructure construction of certain projects.

Properties under development with an aggregate carrying value of RMB609,022,000 (2015: RMB2,274,502,000) as at 31 December 2016 were pledged for certain bank loans granted to the Group (Note 30).

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
In the PRC, with lease term of 40 years or more	<b>670,898</b>	1,337,927

## 21 Completed Properties Held for Sale

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

Completed properties held for sale with an aggregate carrying value of RMB 1,903,198,000 (2015: RMB565,946,000) as at 31 December 2016 were pledged for certain bank loans granted to the Group (Note 30 ).

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 22 Inventories and Contracting Working-in-progress

	At 31 December	
	2016 RMB'000	2015 RMB'000
Gross amounts due from customers for contract work (Note (i))	<b>108,023</b>	194,300
Work in progress	<b>8,340</b>	9,617
Finished goods	<b>12,943</b>	26,914
Raw materials	<b>1,123</b>	1,713
	<b>130,429</b>	232,544

### (i) Gross amounts due from customers for contract work

	At 31 December	
	2016 RMB'000	2015 RMB'000
Cost plus attributable profit less foreseeable losses	<b>303,210</b>	277,760
Progress billings issued	<b>(195,187)</b>	(83,460)
Contracting work-in-progress	<b>108,023</b>	194,300
Representing: Gross amounts due from customers for contract work included in inventories and contracting work-in-progress	<b>108,023</b>	194,300

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 23 Trade and Other Receivables

	At 31 December	
	2016	2015
	RMB'000	RMB'000
<b>Current portion</b>		
Trade and bill receivables (a)	<b>539,330</b>	345,980
Amounts due from related parties (Note 40(c))	<b>442,156</b>	1,002
Prepayments for construction cost and raw materials	<b>152,804</b>	69,141
Deposits	<b>15,000</b>	25,000
Interest receivables from entrusted loans to an associate (Note 40(c))	<b>7,568</b>	—
Prepaid business tax and other taxes	<b>6,911</b>	6,026
Prepayments for potential acquisition of certain equity interest in a property development company	<b>—</b>	50,000
Others	<b>248,876</b>	113,224
	<b>1,412,645</b>	610,373
<b>Non-current portion</b>		
Prepayments for acquisition of certain equity interests	<b>208,318</b>	—
Prepayments for acquisition of certain properties	<b>44,000</b>	—
	<b>252,318</b>	—
Total	<b>1,664,963</b>	610,373

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
<b>Within 1 month</b>		
Within 1 month	<b>134,433</b>	189,180
1 to 3 months	<b>71,051</b>	3,685
3 to 6 months	<b>78,384</b>	5,203
Over 6 months	<b>255,462</b>	147,912
	<b>539,330</b>	345,980

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 23 Trade and Other Receivables (Continued)

Notes:

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

The directors are of the view that all trade receivables are neither individually nor collectively considered to be impaired as at the end of each reporting period.

As of 31 December 2016, trade receivables of RMB111,612,000 (2015: RMB121,142,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Less than 1 month past due	5,842	54,561
Over 1 month and within 3 months past due	16,080	720
Over 3 months and within 6 months past due	40	5,604
Over 6 months past due	89,650	60,257
	111,612	121,142

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## 24 Restricted Cash

	At 31 December	
	2016 RMB'000	2015 RMB'000
Pledged for:		
— Supervision accounts for construction of pre-sale properties	67,102	—
— Commercial acceptance notes	20,000	—
— Interest-bearing loans deposits	100,239	38,257
— Mortgage deposits	20,014	4,720
— Bank acceptance notes	—	106,063
— Others	1,549	1,426
Total	208,904	150,466

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 25 Cash and Cash Equivalents

	At 31 December	
	2016 RMB'000	2015 RMB'000
Cash in hand	163	262
Cash at bank	1,812,420	901,102
<b>Cash and cash equivalents</b>	<b>1,812,583</b>	<b>901,364</b>

## 26 Non-Current Assets Classified as Held for Sale

During the year ended 31 December 2016, the Group entered into sale agreements with certain independent third parties to dispose of certain units of its investment properties. The sales are expected to conclude and complete within one year.

As at 31 December 2016, there was no pledge of non-current assets classified as held for sale.

## 27 Assets of Disposal Group Held for Sale

The disposal was completed during the year, details are set out in Note 7.

## 28 Trade and Other Payables

	At 31 December	
	2016 RMB'000	2015 RMB'000
Trade creditors and bills payable	990,100	1,224,214
Receipts in advance	348,881	261,785
Accrued payroll	34,126	20,303
Other payables and accruals	295,311	214,411
Amounts due to a non-controlling shareholder	—	350,000
Amounts due to related parties	42,813	5,000
<b>Total</b>	<b>1,711,231</b>	<b>2,075,713</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 28 Trade and Other Payables (Continued)

As at 31 December 2016, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 month	<b>491,727</b>	728,182
1 to 12 months	<b>282,088</b>	314,744
Over 12 months	<b>216,285</b>	181,288
	<b>990,100</b>	1,224,214

## 29 Corporate Bonds

	2016	2015
	RMB'000	RMB'000
As at 1 January	<b>1,091,978</b>	1,187,264
Net proceeds from bonds issued	—	199,000
Interest expenses	<b>68,845</b>	99,914
Coupon interest paid	<b>(83,900)</b>	(94,200)
Principal paid	<b>(500,000)</b>	(300,000)
As at 31 December	<b>576,923</b>	1,091,978
<b>Representing:</b>		
Current portion	<b>7,350</b>	531,434
Non-current portion	<b>569,573</b>	560,544

In October 2013, the Group issued long-term corporate bond with maturity of 6 years with face value of RMB600,000,000 bearing annual interest rate of 7.35%. The actual proceed received by the Group was approximately RMB543,527,000. This bond is denominated in RMB and issued at par. Interest is payable yearly while principal will be repaid when the bond falls due. The annual effective interest rate of this bond is 9.48%. As at 31 December 2016, interest payable for this bond amounted to approximately RMB7,350,000 (2015: RMB7,350,000).

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 29 Corporate Bonds (Continued)

In June 2014, the Group issued non-public debt financing instruments with maturity of 2 years with face value of RMB300,000,000 bearing annual interest rates of 8.20%. The actual proceed received by the Group was approximately RMB292,450,000. This bond was denominated in RMB and issued at par. Interest was payable yearly while principal was repaid when the bonds fell due. The annual effective interest rates of this bond is 9.64%. This bond was fully repaid in 2016.

In March 2015, the Group issued non-public debt financing instruments with maturity of 365 days with face value of RMB200,000,000 bearing annual interest rates of 7.60%. The actual proceed received by the Group was approximately RMB199,000,000. This bond was denominated in RMB and issued at par. Interest and principal were paid together when the bond fell due. The annual effective interest rate of this bond was 8.14%. This bond was fully repaid in 2016.

The carrying amounts and fair value of non-current portion of the corporate bonds are as follows:

	Carrying amount		Fair Value	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Corporate bond	569,573	560,544	569,573	560,544

The fair value of current corporate bond approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 9.48% (2015: 9.48%) and are within level 2 of the fair value hierarchy.

## 30 Bank and Other Borrowings

	At 31 December	
	2016 RMB'000	2015 RMB'000
<b>Current</b>		
Secured		
— Bank borrowings	325,000	377,920
— Current portion of non-current bank borrowings	432,180	357,180
	757,180	735,100
Pledged		
— Current portion of non-current pledged borrowings	—	157,216
Unsecured		
— Bank borrowings	830,000	400,000
— Current portion of non-current bank borrowings	1,000	—
	831,000	400,000
	1,588,180	1,292,316

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 30 Bank and Other Borrowings (Continued)

	At 31 December	
	2016	2015
	RMB'000	RMB'000
<b>Non-current</b>		
Secured		
— Bank borrowings	<b>1,398,000</b>	1,348,180
Less: Current portion of non-current bank borrowings	<b>(432,180)</b>	(357,180)
	<b>965,820</b>	991,000
Pledged		
— Other borrowings	—	157,216
Less: Current portion of non-current pledged borrowings	—	(157,216)
	—	—
Unsecured		
— Bank borrowings	<b>100,000</b>	—
Less: Current portion of non-current bank borrowings	<b>(1,000)</b>	—
	<b>99,000</b>	—
	<b>1,064,820</b>	991,000

Movements in borrowings are analysed as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Opening amount	<b>2,283,316</b>	2,138,846
Addition from acquisition of a subsidiary (Note 6)	<b>1,345,320</b>	—
Proceeds from borrowings	<b>1,847,000</b>	1,544,620
Repayments of borrowings	<b>(2,822,636)</b>	(1,400,150)
<b>Closing amount</b>	<b>2,653,000</b>	2,283,316

The bank and other borrowings bear interest ranging from 4.32% to 6.90% per annum for year ended 31 December 2016 (2015: from 5.22% to 12.00%).

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 30 Bank and Other Borrowings (Continued)

The Group's borrowings were repayable as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year or on demand	<b>1,588,180</b>	1,292,316
After 1 year but within 2 years	<b>554,880</b>	421,180
After 2 years but within 5 years	<b>509,940</b>	569,820
	<b>2,653,000</b>	2,283,316

No share-pledged borrowings as at 31 December 2016 (2015: RMB157,216,000).

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Completed properties held for sale (Note 21)	<b>1,903,198</b>	565,946
Properties under development (Note 20)	<b>609,022</b>	2,274,502
Investment properties (Note 16)	<b>416,090</b>	189,926
Restricted cash (Note 24)	<b>100,239</b>	38,257
Property, plant and equipment (Note 15)	<b>28,030</b>	48,655
	<b>3,056,579</b>	3,117,286

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair Value	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	<b>1,064,820</b>	991,000	<b>1,064,820</b>	991,000

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.04% (2015: 7.35%) and are within level 2 of the fair value hierarchy.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 30 Bank and Other Borrowings (Continued)

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

	At 31 December	
	2016 RMB'000	2015 RMB'000
RMB	2,653,000	2,283,316

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached (2015: nil).

## 31 Deferred Income Tax

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

	At 31 December	
	2016 RMB'000	2015 RMB'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	19,861	22,455
— Deferred tax assets to be recovered within 12 months	25,216	45,863
	45,077	68,318
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after more than 12 months	(239,682)	(166,859)
— Deferred tax liabilities to be settled within 12 months	—	(4,817)
	(239,682)	(171,676)
Deferred tax liabilities — net	(194,605)	(103,358)

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 31 Deferred Income Tax (Continued)

The gross movement on the deferred income tax account is as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	(103,358)	(14,224)
Addition from acquisition of a subsidiary (Note 6)	(27,357)	—
Charge to statement of profit or loss (Note 12)	(59,207)	(83,159)
Tax charge relating to components of other comprehensive income (Note 12)	(4,683)	(5,975)
<b>At 31 December</b>	<b>(194,605)</b>	(103,358)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

	Temporary differences arising from LAT provision RMB'000	Unused tax losses RMB'000	Unrealised profit resulting from inter-group transactions RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2015</b>	18,322	14,207	20,000	15,434	67,963
Recognised in profit or loss	(4,171)	182	11,712	(7,368)	355
<b>At 31 December 2015</b>	14,151	14,389	31,712	8,066	68,318
Addition from acquisition of a subsidiary (Note 6)	—	25,904	—	—	25,904
Recognised in profit or loss	(10,316)	(12,173)	(7,199)	11,840	(17,848)
<b>At 31 December 2016</b>	3,835	28,120	24,513	19,906	76,374

Note: In assessing the realisability of deferred tax assets in respect of the Group's subsidiaries which suffered tax losses in current or preceding period, management considers the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB28,120,000 as at 31 December 2016 (31 December 2015: RMB14,389,000) as the Group estimates that these subsidiaries have properties development projects which are probable to generate sufficient future taxable profits to support their utilisation.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB10,937,000 (2015: RMB3,155,000) in respect of losses amounting to RMB43,747,000 (2015: RMB12,622,000) that can be carried forward against future taxable income.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 31 Deferred Income Tax (Continued)

The unrecognised tax losses will expire in the following years:

	At 31 December	2016 RMB'000	2015 RMB'000
2017	<b>2,236</b>	2,236	
2018	<b>1,010</b>	1,010	
2019	<b>796</b>	796	
2020	<b>8,580</b>	8,580	
2021	<b>31,125</b>	—	
	<b>43,747</b>	12,622	

### Deferred income tax liabilities

	Revaluation of investment properties RMB'000	Revaluation arising from business combination RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2015</b>	(76,081)	(1,041)	(5,065)	(82,187)
Recognised in profit or loss	(83,812)	50	248	(83,514)
Recognised in other comprehensive income	(5,975)	—	—	(5,975)
<b>At 31 December 2015</b>	(165,868)	(991)	(4,817)	(171,676)
Acquisition of a subsidiary (Note 6)	(37,354)	(15,907)	—	(53,261)
Recognised in profit or loss	(46,530)	354	4,817	(41,359)
Recognised in other comprehensive income	(4,683)	—	—	(4,683)
<b>At 31 December 2016</b>	(254,435)	(16,544)	—	(270,979)

Certain owner-occupied buildings were transferred to investment properties (see Note 15) in 2016 and 2015, the Group remeasured the properties to fair value and recognised a revaluation gain of RMB18,734,000 (2015: RMB23,900,000) and related tax RMB4,683,000 (2015: RMB5,975,000) in other comprehensive income.

At 31 December 2016, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB938,301,000 (2015: RMB745,219,000). Deferred tax liabilities on these temporary differences have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future (Note 4.2(b)).

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 32 Deferred Income

	At 31 December	
	2016 RMB'000	2015 RMB'000
Service fees received in advance	43,299	40,870
Less: Amount included under current liabilities	(4,330)	(4,087)
Amount included under non-current liabilities	38,969	36,783

The deferred income primarily represents the prepaid service fees from customers for energy supply service in the industrial parks.

## 33 Share Capital and Treasury Shares

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

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

	At 31 December 2016			At 31 December 2015	
	No. of Shares ('000)	RMB'000	Treasury shares RMB'000	No. of Shares ('000)	RMB'000
<b>Ordinary shares, issued and fully paid:</b>					
At 1 January	4,000,000	316,800	—	4,000,000	316,800
Issue of new shares (Note 6)	4,000,000	341,880	—	—	—
Shares purchased for the share award scheme (a)	—	—	(110,105)	—	—
At the end of the year	8,000,000	658,680	(110,105)	4,000,000	316,800

- (a) A share award scheme was adopted by the Company on 22 December 2016 (the "Share Award Scheme"). During 2016, a trustee appointed by the Company for the purpose of the Share Award Scheme purchased a total of 152,998,000 shares at a total consideration of HKD122,928,380(equivalent to RMB110,105,000) according to the Share Award Scheme. The trustee is accounted for as a subsidiary of the Group. As at 31 December 2016, none of the 152,998,000 shares has been granted.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 34 Reserves

	Share premium RMB'000	Exchange reserve RMB'000	Property Revaluation reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at 1 January 2016</b>	<b>284,062</b>	<b>1,262</b>	<b>17,925</b>	<b>263,064</b>	<b>584,021</b>	<b>1,150,334</b>
Appropriation from retained earnings	—	—	—	36,552	—	36,552
Currency translation differences	—	34,679	—	—	—	34,679
Revaluation of property, plant and equipment upon transfer from investment property	—	—	14,051	—	—	14,051
Issuance of new shares	2,419,080	—	—	—	—	2,419,080
Dividends paid	(205,728)	—	—	—	—	(205,728)
Transaction with non-controlling interests	—	—	—	—	(66)	(66)
<b>Balance at 31 December 2016</b>	<b>2,497,414</b>	<b>35,941</b>	<b>31,976</b>	<b>299,616</b>	<b>583,955</b>	<b>3,448,902</b>
<b>Balance at 1 January 2015</b>	<b>284,062</b>	<b>957</b>	<b>—</b>	<b>233,594</b>	<b>584,780</b>	<b>1,103,393</b>
Appropriation from retained earnings	—	—	—	29,470	—	29,470
Currency translation differences	—	305	—	—	—	305
Revaluation of property, plant and equipment upon transfer from investment property	—	—	17,925	—	—	17,925
Transaction with non-controlling interests	—	—	—	—	(759)	(759)
<b>Balance at 31 December 2015</b>	<b>284,062</b>	<b>1,262</b>	<b>17,925</b>	<b>263,064</b>	<b>584,021</b>	<b>1,150,334</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 34 Reserves (Continued)

### PRC statutory reserve

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

### Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2.6.

### Other reserves

Other reserves are resulted from transactions with owners in their capacity as equity holders. The balances comprise capital reserve surplus/deficit arising from difference between disposal/acquisition consideration and its net assets at the respective date of disposal/acquisition.

## 35 Retained Earnings

	2016 RMB'000	2015 RMB'000
<b>At 1 January</b>	<b>1,298,502</b>	929,027
Profit for the year	431,925	499,886
Dividends paid	—	(100,941)
Transfer to statutory surplus reserve	(36,552)	(29,470)
<b>At 31 December</b>	<b>1,693,875</b>	1,298,502

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 36 Dividends

The dividends paid in 2016 and 2015 were RMB205,728,000 (HKD3.00 cents per share) and RMB100,941,000 (HKD3.20 cents per share) respectively. The Board has resolved on 23 March 2017 to recommend for declaration and payment of a final dividend of HKD2.00 cent per share (equivalent to RMB1.79 cent per share), amounting to a total dividend of HKD160,000,000 (equivalent to RMB143,122,000), out of the share premium account of the Company. These financial statements do not reflect this dividend payable.

	2016 RMB'000	2015 RMB'000
Special dividend paid of HKD3.00 cents (2015: nil) per ordinary share	<b>205,728</b>	—
Proposed final dividend of HKD2.00 cents (2015: nil) per ordinary share	<b>143,122</b>	—

## 37 Cash generated from operations

	2016 RMB'000	2015 RMB'000
Profit before income tax	<b>761,025</b>	748,028
Adjustments for:		
Depreciation (Note 8)	<b>35,249</b>	22,353
Amortisation (Note 8)	<b>813</b>	487
Losses on disposals of investment properties (Note 7)	<b>1,535</b>	—
Gains on disposals of property, plant and equipment (Note 7)	<b>(70)</b>	(27)
Finance income (Note 10)	<b>(46,810)</b>	(34,788)
Finance costs (Note 10)	<b>117,656</b>	12,474
Gains on disposal of subsidiaries (Note 7)	<b>(128,559)</b>	—
Fair value gains on investment properties (Note 16)	<b>(179,589)</b>	(345,638)
Share of losses of associates (Note 11(b))	<b>37,045</b>	644
Share of (profits)/losses of joint ventures (Note 11(b))	<b>(414)</b>	7,598
Changes in working capital (excluding the effects of acquisition and currency translation differences on subsidiaries):		
Increase in restricted cash	<b>(67,102)</b>	—
Decrease/(increase) in properties under development, completed properties held for sale and inventories and contracting work-in-progress	<b>640,299</b>	(206,920)
(Increase)/decrease in trade and other receivables	<b>(27,779)</b>	78,483
Decrease in trade and other payables	<b>(112,031)</b>	(85,891)
Cash generated from operations	<b>1,031,268</b>	196,803

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 37 Cash Generated from Operations (Continued)

In the statement of cash flows, proceeds from disposals of property, plant and equipment and investments properties comprise:

	2016 RMB'000	2015 RMB'000
Net book amount of property, plant and equipment (Note 15)	<b>259</b>	828
Gains on disposals of property, plant and equipment (Note 6)	<b>70</b>	27
Proceeds from disposal of property, plant and equipment	<b>329</b>	855
Net book amount of investment properties (Note 16)	<b>47,700</b>	—
Net book amount of investment properties classified as held for sale	<b>19,000</b>	—
Losses on disposals (Note 6)	<b>(1,535)</b>	—
Proceeds from disposal of investment properties	<b>65,165</b>	—

### Non-cash transactions

The principal non-cash transaction is the issue of shares as consideration for the acquisition disclosed in Note 6.

## 38 Contingencies

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

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

	At 31 December	
	2016 RMB'000	2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<b>884,645</b>	471,823

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 38 Contingencies (Continued)

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

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

## 39 Commitments

### (a) Capital commitments

Capital expenditure contracted but not provided for mainly represents properties development at the end of the year but not yet incurred is as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Contracted but not provided for		
— Properties development expenditure	<b>773,611</b>	358,105
— Investment commitment	<b>33,753</b>	—
	<b>807,364</b>	358,105

### (b) Operating lease commitments — Group as lessor

The Group leases out a number of building facilities under non-cancellable operating lease agreements. The lease terms are between 1 and 12 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
No later than 1 year	<b>95,262</b>	32,926
Later than 1 year and no later than 5 years	<b>193,869</b>	57,579
Later than 5 years	<b>77,915</b>	6,450
	<b>367,046</b>	96,955

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 39 Commitments (Continued)

### (c) Operating lease commitments — Group as lessee

The Group leases a number of building facilities under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
No later than 1 year	1,983	1,952
Later than 1 year and no later than 5 years	2,537	688
	<b>4,520</b>	2,640

## 40 Related Party Transactions

### (a) Transactions with related parties

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

	2016 RMB'000	2015 RMB'000
(i) Joint ventures		
Construction contract revenue	2,100	381
Industrial park operation services	220	809
Sales of materials	—	573
Development management service	—	1,020
	<b>2,320</b>	2,783
(ii) Associates		
Interest income from entrusted loan **	<b>18,760</b>	—
(iii) Major shareholder		
Interest expense *	<b>41,627</b>	—

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

\* The interest expense related to the loan of RMB1,195,320,000 from CECH, which bore interest at 7% per annum, and was secured by charge over 375,118 shares of AAA Finance & Investment Limited, a wholly-owned subsidiary of the Group. The loan was fully repaid on 31 December 2016.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 40 Related Party Transactions (Continued)

### (b) Balances with related parties

	At 31 December	
	2016	2015
	RMB'000	RMB'000
(i) Joint ventures		
Trade and other receivables	<b>6,747</b>	1,002
Trade and other payables	<b>23,500</b>	5,000
(ii) Associates		
Trade and other receivables **	<b>442,929</b>	—
Trade and other payables	<b>1,516</b>	—
(iii) Major shareholder		
Trade and other receivables	<b>48</b>	—
Trade and other payables	<b>17,797</b>	—

The amounts due from/to related parties as at 31 December 2016 and 2015 were interest-free, unsecured and expected to be recovered/repaid within one year except the amount due from Hainan Investment.

\*\* The amount mainly represents due from Hainan Investment which is in relation to the provision of entrusted loans in the principal amount of RMB400 million commencing from 24 July 2014 and ending on 31 March 2017 and RMB20 million commencing from 1 April 2016 and ending on 31 March 2017, at an interest rate of 9% per annum by CEC Technology to Hainan Investment, with China Electronics Financial Co., Ltd. acting as the lending agent. 60% of the RMB400 million entrusted loan was secured by a share pledge granted by the shareholders holding the remaining 60% equity interest in Hainan Investment over 43.64% equity interest in Hainan Investment. The entrusted loan of RMB20 million was secured by certain buildings Hainan Investment. During the year, CEC Technology recognised the interest income amounting to RMB18,760,000, of which RMB7,568,000 was outstanding at 31 December 2016.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 40 Related Party Transactions (Continued)

### (c) Key management compensation

Key management are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	2016 RMB'000	2015 RMB'000
Wages, salaries and other benefits	<b>20,321</b>	24,504
Retirement scheme contributions	<b>237</b>	252
	<b>20,558</b>	24,756

The above compensation to key management personnel is included in "staff costs" (Note 9).

## 41 Events After the Reporting Period

On 25 January 2017, the Company and the vendor, a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with a third party purchaser and CEC Technology, pursuant to which the vendor has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase, the sale equity (representing 50% of the equity interest in CEC Technology), for a consideration of RMB350 million. The disposal has not been completed as of the date of approval of these financial statements.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 42 Balance Sheet and Reserve Movement of the Company

### Balance sheet of the Company

	Note	At 31 December	2016 RMB'000	2015 RMB'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		566	740	
Investments in subsidiaries		3,433,022	798,062	
		<b>3,433,588</b>	798,802	
<b>Current assets</b>				
Cash and cash equivalents		37,565	425	
Trade and other receivables		166,461	107,236	
		<b>204,026</b>	107,661	
<b>Net current assets</b>		<b>204,026</b>	107,661	
<b>Total assets less current liabilities</b>		<b>3,637,614</b>	906,463	
<b>Equity</b>				
<b>Capital and reserves</b>				
Share capital	33	658,680	316,800	
Reserves	(a)	3,003,846	599,418	
Accumulated losses	(b)	(24,912)	(9,755)	
<b>Total equity</b>		<b>3,637,614</b>	906,463	

The balance sheet of the Company was approved by the Board of Directors on 23 March 2017 and was signed on its behalf:

**Huang Liping**  
*Director*

**Hu Bin**  
*Director*

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 42 Balance Sheet and Reserve Movement of the Company (Continued)

### Balance sheet of the Company (Continued)

Note:

- (a) Reserve movement of the Company

	Share premium RMB'000	Exchange reserve RMB'000	Total RMB'000
<b>Balance at 1 January 2016</b>	284,062	315,356	599,418
Currency translation differences	—	191,076	191,076
Issuance of new shares	2,419,080	—	2,419,080
Dividends paid	(205,728)	—	(205,728)
<b>Balance at 31 December 2016</b>	<b>2,497,414</b>	<b>506,432</b>	<b>3,003,846</b>
<b>Balance at 1 January 2015</b>	284,062	262,062	546,124
Currency translation differences	—	53,294	53,294
<b>Balance at 31 December 2015</b>	<b>284,062</b>	<b>315,356</b>	<b>599,418</b>

- (b) Accumulated losses movement of the Company

	2016 RMB'000	2015 RMB'000
<b>At 1 January</b>	<b>(9,755)</b>	<b>(1,941)</b>
Profit for the year	(15,157)	93,127
Dividends paid	—	(100,941)
<b>At 31 December</b>	<b>(24,912)</b>	<b>(9,755)</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 43 Benefits and Interests of Directors

### (A) Directors and chief executive's emoluments

For the year ended 31 December 2016:

Name	Fees RMB'000	Salaries, allowances and welfare benefits RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
<i>Chairman and chief executive:</i>					
Huang Liping	—	479	1,524	17	2,020
<i>Executive directors:</i>					
Hu Bin	—	479	1,929	17	2,425
Chen Huifen (Note (a))	—	356	1,536	17	1,909
<i>Non-executive directors:</i>					
Lu Jun	—	—	—	—	—
Zhang Jie	—	—	—	—	—
Wang Qiuju (Note (b))	—	—	—	—	—
Xiang Qunxiang (Note (c))	—	—	—	—	—
Shu Chunping (Note (d))	—	—	—	—	—
<i>Independent non-executive directors:</i>					
Qi Min	—	200	—	—	200
Leung Man Kit	—	268	—	—	268
Zhang Shuqin	—	200	—	—	200
<b>Total</b>	—	<b>1,982</b>	<b>4,989</b>	<b>51</b>	<b>7,022</b>

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 43 Benefits and Interests of Directors (Continued)

### (B) Directors and chief executive's emoluments

For the year ended 31 December 2015:

Name	Fees RMB'000	Salaries, allowances and welfare benefit RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Chairman and chief executive:					
Huang Liping	—	738	1,044	17	1,799
Executive directors:					
Hu Bin	—	622	1,200	17	1,839
Chen Huifen (Note (a))	—	427	1,060	17	1,504
Non-executive directors:					
Lu Jun	—	—	—	—	—
Shu Chunping (Note (d))	—	—	—	—	—
Zhang Jie	—	—	—	—	—
Independent non-executive directors:					
Zhang Shuqin	—	200	—	—	200
Leung Man Kit	—	251	—	—	251
Qi Min	—	200	—	—	200
<b>Total</b>	<b>—</b>	<b>2,438</b>	<b>3,314</b>	<b>51</b>	<b>5,793</b>

Notes:

- (a) Resigned on 29 December 2016.
- (b) Appointed on 29 December 2016.
- (c) Appointed on 29 December 2016.
- (d) Resigned on 29 December 2016.

No emoluments was paid or receivable in respect of directors' other services in connection with the management of the Company or its subsidiaries undertaking during the year.

During the years ended 31 December 2016 and 2015, no director waived any emoluments. Neither incentive payment for joining the Group nor compensation for loss of office was paid or payable to any directors during the years ended 31 December 2016 and 2015.

# Notes to the Consolidated Financial Statements (Continued)

(Expressed in thousand of Renminbi unless otherwise indicated)

## 43 Benefits and Interests of Directors (Continued)

### (C) Directors' retirement benefits

No retirement benefits was paid to or receivable by directors during the year by defined benefit pension plans operated by the Group.

### (D) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year.

### (E) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time during the year.

### (F) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

### (G) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the ends of the year or at any time during the year.

# Definitions

"AAA Finance"	AAA Finance and Investment Holdings Limited, a limited liability company incorporated in the BVI on 10 July 2013 which is wholly owned by Mr. Huang Liping, one of the Company's substantial Shareholders
"Articles of Association"	the amended and restated articles of association of the Company
"associates" or "close associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CEC"	China Electronics Corporation Limited* (中國電子信息產業集團有限公司), a state-owned company established under the laws of the PRC and the ultimate controlling shareholder of CECH
"CEC Technology"	China Electronics Technology Development Co., Ltd* (中國電子科技開發有限公司), a company established under the laws of the PRC and a non wholly-owned subsidiary of the Company
"CECH"	China Electronics Corporation Holdings Company Limited* (中國電子集團控股有限公司), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability
"CEC Media"	CEC Media Holdings Limited, an immediate wholly-owned subsidiary of CECH
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "we", "us" or "our"	China Electronics Optics Valley Union Holding Company Limited (中電光谷聯合控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 July 2013 under the Cayman Islands Companies Law
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Energy Conservation Technology Park"	Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd.* (武漢光谷節能科技園有限公司), a limited liability company incorporated in the PRC on 8 December 2011 and a wholly-owned subsidiary of Hubei Science & Technology Investment

## Definitions (Continued)

"Financial Control Committee"	the financial control committee of the Company
"Group"	the Company and its subsidiaries
"Hefei OVU Development"	Hefei Optics Valley Union Development Co., Ltd.* (合肥光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 13 September 2013 and a 80.0% owned subsidiary of Wuhan Optics Valley Union, and thus a subsidiary of the Company
"Hengxin PTC"	Hengxin Global (PTC) Limited, a limited liability company incorporated in the BVI on 12 August 2013 and the Shareholder of the Company
"HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huangshi OVU Development"	Huangshi Optics Valley Union Development Co., Ltd.* (黃石光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 24 January 2005 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Hubei Huisheng"	Hubei Huisheng Technology Development Co., Ltd.* (湖北匯盛科技發展有限公司), a limited liability company incorporated in the PRC on 8 December 2005 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Hubei Science & Technology Investment"	Hubei Science & Technology Investment Group Co., Ltd.* (湖北省科技投資集團有限公司), a limited liability company incorporated in the PRC on 28 July 2005 and a substantial Shareholder of the Company as at 30 June 2016
"Hubei Technology Enterprise Accelerator"	Hubei Technology Enterprise Accelerator Co., Ltd.* (湖北科技企業加速器有限公司), a limited liability company incorporated in the PRC on 18 May 2012 and an 80.0% owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Lidao BVI"	Lidao Investment Limited, a limited liability company incorporated in the BVI on 10 July 2013, which is wholly-owned by Mr. Huang Liping, one of the Company's substantial Shareholders
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

## Definitions (Continued)

"Nomination Committee"	the nomination committee of the Company
"Optics Valley Software Park"	Wuhan Optics Valley Software Park Co., Ltd.* (武漢光谷軟件園有限公司), a limited liability company incorporated in the PRC on 8 September 2005 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"OV Financial Harbour Development"	Wuhan Optics Valley Financial Harbour Development Co., Ltd.* (武漢光谷金融港發展有限公司), a limited liability company incorporated in the PRC on 24 July 2008 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Qianbao BVI"	Qianbao Investment Limited, a limited liability company incorporated in the BVI on 10 July 2013 and a Shareholder of the Company
"Qingdao OVU Development"	Qingdao Optics Valley Union Development Co., Ltd.* (青島光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 1 September 2011 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of China
"Reporting Period"	the 12-month period from 1 January 2016 to 31 December 2016
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of our Share(s) from time to time
"Shares"	ordinary shares of HKD0.10 each in the capital of the Company
"Shenyang OVU Development"	Shenyang Optics Valley Union Development Co., Ltd.* (瀋陽光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 29 May 2012 and a 95.0% owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technology Investment HK"	Hubei Science & Technology Investment Group (Hong Kong) Company Limited (湖北省科技投資集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 11 July 2013 and a substantial Shareholder of the Company

## Definitions (Continued)

"Wuhan East Lake High Technology"	Wuhan East Lake High Technology Group Co., Ltd.* (武漢東湖高新集團股份有限公司), a limited liability company incorporated in the PRC on 12 January 1993 and listed on the Shanghai Stock Exchange (stock code: 600133) and a connected person of the Company
"Wuhan Financial Harbour Development"	Wuhan Financial Harbour Development Co., Ltd.* (武漢金融港開發有限公司), a limited liability company incorporated in the PRC on 5 December 2011 and a wholly-owned subsidiary of Hubei Science & Technology Investment
"O2O"	Online To Offline, a linkage between online and offline business opportunities
"Wuhan Lido Property Management"	Wuhan Lido Property Management Co., Ltd.* (武漢麗島物業管理有限公司), a limited liability company incorporated in the PRC on 19 July 2000 and a wholly- owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Wuhan Lido Technology"	Wuhan Lido Technology Co., Ltd.* (武漢麗島科技有限公司), a limited liability company incorporated in the PRC on 13 December 2000 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Wuhan Mason"	Wuhan Mason Property Co., Ltd.* (武漢美生置業有限公司), formerly known as Mason Property (Wuhan) Co., Ltd.* (美生置業(武漢)有限公司), a limited liability company incorporated in the PRC on 11 January 2007 and is owned as to 50% by Wuhan Optics Valley Union
"Wuhan Minghong"	Wuhan Minghong Technology Development Co., Ltd.* (武漢鳴鴻科技發展有限公司), a limited liability company incorporated in the PRC on 8 February 2001 and a wholly-owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company
"Wuhan Optics Valley Union"	Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司), formerly known as 武漢光谷聯合股份有限公司, a limited liability company incorporated in the PRC on 24 July 2000 and a wholly-owned subsidiary of Wuhan United Real Estate, and an indirect subsidiary of the Company
"Wuhan United Real Estate"	United Real Estate (Wuhan) Co., Ltd.* (聯合置業(武漢)有限公司), a limited liability company incorporated in the PRC on 23 July 1993 and a wholly-owned subsidiary of AAA Finance & Investment Limited, and an indirect subsidiary of the Company
"Wuhan Xuefu"	Wuhan Xuefu Property Co., Ltd.* (武漢學府房地產有限公司), a limited liability company incorporated in the PRC on 29 April 1999 and a 51.0% owned subsidiary of Wuhan Optics Valley Union, and an indirect subsidiary of the Company

## Definitions (Continued)

"Hainan Investment"

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 limited liability company incorporated in the PRC on 6 November 2008 and a 40% owned company of CEC Technology

"Guangxi Future Land"

Guangxi CEC Future Investment Land Co., Ltd.\* (廣西中電未來投資置業有限公司), a limited liability company incorporated in the PRC on 28 December 2011 and a 49.7% owned company of CEC Technology

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



中電光谷  
CEC OPTICS VALLEY

中電光谷聯合控股有限公司

China Electronics Optics Valley Union Holding Company Limited