THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

CEC
华大科技
HUADA TECHNOLOGY

CHINA ELECTRONICS HUADA TECHNOLOGY COMPANY LIMITED
中國電子華大科技有限公司

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

(Stock Code: 00085)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 33.67% OF THE ISSUED SHARE CAPITAL OF CHINA ELECTRONICS OPTICS VALLEY UNION HOLDING COMPANY LIMITED

Financial Adviser to the Company

申萬宏源香港
SHENWAN HONGYUAN

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

Due to concern over large-scale group gatherings during the COVID-19 pandemic, no refreshment or drink will be served at the special general meeting of the Company.

A notice convening the special general meeting of the Company to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 27 October 2020 at 4:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

A letter from the independent board committee of the Company containing its recommendation to the independent shareholders of the Company is set out on pages 17 to 18 of this circular. A letter from Somerley Capital Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 19 to 55 of this circular.

30 September 2020

CONTENTS

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

"APA"	Asia-Pacific Consulting and Appraisal Limited, an independent property valuer
"associate(s)"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday or public holiday in Hong Kong or any day on which a black rainstorm warning signal or a tropical cyclone warning no. 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for business in Hong Kong
"CEC"	China Electronics Corporation Limited (中國電子信息產業集團有限公司), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
"CEOVU"	China Electronics Optics Valley Union Holding Company Limited (中電光谷聯合控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 798)
"CEOVU Group"	CEOVU and its subsidiaries
"Company"	China Electronics Huada Technology Company Limited (中國電子華大科技有限公司), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability
"Completion"	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
"connected person"	has the meaning ascribed to this term under the Listing Rules
"controlling shareholder"	has the meaning ascribed to this term under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Transfer Shares by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

"GO Waiver"	a waiver from the Executive pursuant to the Takeovers Code to dispense the Purchaser (and parties acting in concert with it) from the obligation of making a mandatory general offer in respect of all the issued ordinary shares of HK$0.10 each in the share capital of CEOVU otherwise than those owned or acquired by the Purchaser (and parties acting in concert with it)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Directors consisting of only the independent non-executive Directors formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement
"Independent Shareholders"	Shareholders other than CEC and its associates
"Last Trading Day"	29 July 2020, being the trading day for the Transfer Shares immediately before the entering into of the Sale and Purchase Agreement
"Latest Practicable Date"	23 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	31 December 2020, or such later date as the parties to the Sale and Purchase Agreement may agree in writing from time to time
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Purchaser"	China Electronics Information Service Company Limited (中國中電國際信息服務有限公司), a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of CEC
"RMB"	Renminbi, the lawful currency of the PRC
"Remaining Group"	the Group immediately after the Completion

"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"Sale and Purchase Agreement"	the agreement dated 30 July 2020 entered into between the Seller and the Purchaser in relation to the Disposal
"Seller"	CEC Media Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shenwan"	Shenwan Hongyuan Capital (H.K.) Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Disposal
"Somerley"	Somerley Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC
"Transfer Share(s)"	2,550,000,000 ordinary shares of HK$0.10 each in the share capital of CEOVU and a "Transfer Share" shall be construed accordingly
"%"	per cent.

CHINA ELECTRONICS HUADA TECHNOLOGY COMPANY LIMITED
中國電子華大科技有限公司
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 00085)

Non-executive Directors:
Dong Haoran *(Chairman)*
Liu Jinmei

Executive Directors:
Yu Jian *(Deputy Chairman)*
Liu Hongzhou *(Managing Director)*

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

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

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

30 September 2020

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 33.67% OF THE ISSUED SHARE CAPITAL OF CHINA ELECTRONICS OPTICS VALLEY UNION HOLDING COMPANY LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 30 July 2020 in relation to, among others, the entering into of the Sale and Purchase Agreement in respect of the Disposal.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement. In this respect, Somerley has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with, among others, (i) details of the Disposal; (ii) the advice from Somerley, the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) a notice of SGM.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set forth below.

Date: 30 July 2020

Parties:

(i) The Seller; and

(ii) The Purchaser

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Transfer Shares, being ordinary shares of HK$0.10 each in the share capital of CEOVU representing 33.67% of the issued share capital of CEOVU. CEOVU is an associate company of the Group and the results and assets and liabilities of the CEOVU Group have been accounted for in the financial statements of the Group under equity method of accounting. Upon the Completion, CEOVU will cease to be an associate company of the Group.

Consideration

Pursuant to the Sale and Purchase Agreement, the consideration for the Disposal is HK$1,785.00 million and shall be paid by the Purchaser to the Seller on the Completion which will take place within 30 Business Days after all conditions precedent have been satisfied (unless otherwise waived by the Seller or the Purchaser if applicable and as the case may be).

The consideration for the Disposal was agreed between the Seller and the Purchaser after arm's length negotiations and having taken into account the historical business performance, financial position and net asset value of the CEOVU Group, the prevailing market price of the Transfer Share and the factors set out in the section headed "Reasons for and benefits of the Disposal" below.

Use of proceeds

The gross proceeds from the Disposal are expected to be HK$1,785.00 million and the net proceeds (after deduction of related transaction expenses) are expected to be HK$1,779.00 million. The Company intends to use all the net proceeds for the repayment of its short-term bank borrowings.

Conditions precedent

The Completion is conditional upon the following conditions precedent having been satisfied or waived (if applicable and as the case may be):

(a) the Purchaser having obtained the GO Waiver from the Executive and the GO Waiver not having been cancelled or withdrawn;

(b) the Company having obtained the approval from the Independent Shareholders pursuant to the Listing Rules in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(c) the continued listing of CEOVU and trading of its shares on the Stock Exchange at the time of the Completion (save and except any suspension of trading of its shares for any period not exceeding 7 Business Days or any suspension of trading of its shares by reason of the Sale and Purchase Agreement and the transactions contemplated thereunder);

(d) there being no indication or notice from the Stock Exchange or the SFC with respect to cancellation or withdrawal of the listing status of CEOVU;

(e) all necessary authorisations, consents or approvals by any third parties or applicable regulatory authorities in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained by the Seller and the same remaining in full force and effect at the time of the Completion;

(f) all necessary authorisations, consents or approvals by any third parties or applicable regulatory authorities including without limitation to the consents and approvals of the relevant PRC regulatory authorities in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained by the Purchaser and the same remaining in full force and effect at the time of the Completion;

(g) all representations and warranties given by the Seller under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects by reference to the facts and circumstances then existing, and there being no material breach of the Seller's obligations under the Sale and Purchase Agreement at the time of the Completion; and

(h) all representations and warranties given by the Purchaser under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects by reference to the facts and circumstances then existing, and there being no material breach of the Purchaser's obligations under the Sale and Purchase Agreement at the time of the Completion.

Neither the Company, the Seller nor the Purchaser shall have the right to waive the conditions set out in paragraphs (a) to (f) above, while the Seller may waive condition under paragraph (h) and the Purchaser may waive condition under paragraph (g) above. If all the conditions precedent have not been satisfied (unless otherwise waived by the Seller or the Purchaser if applicable and as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement shall be terminated and in such case, all rights and obligations of the Seller and the Purchaser thereunder shall terminate and no party shall have any claim or action against the other without prejudice to any accrued rights and obligations of the parties prior to such termination.

If proceed to the Completion, acquisition of the Transfer Shares will trigger the mandatory general offer obligation on the part of the Purchaser under the Takeovers Code, and in this respect, the Company has been informed by the Purchaser that the Executive has granted the GO Waiver to the Purchaser.

The Completion

The Completion shall take place within 30 Business Days after all the above conditions precedent have been satisfied (unless otherwise waived by the Seller or the Purchaser if applicable and as the case may be) and the consideration for the Disposal in the amount of HK$1,785.00 million shall be paid by the Purchaser to the Seller and the Seller shall complete transfer of the Transfer Shares to the Purchaser.

INFORMATION OF THE CEOVU GROUP

CEOVU is a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange. CEOVU is an investment holding company. The CEOVU Group is committed to construct the leading platform for sharing industrial resources in the PRC, providing appropriate and overall solutions covering technology industrial park investment, development, business solicitation and operation, as well as providing ideal office, research, production sites and services to various kind of innovative enterprises, using entire life cycle of park zone intelligence management system as a foundation. It mainly includes:

i) Rental and sales of industrial parks: including sale and leasing of industrial park space;

ii) Industrial park operation services: including design and construction services, property management service, energy services, intelligent park services, incubator and office sharing services, financial services in parks, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment; and

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

As of 31 December 2019, the CEOVU Group developed or operated various industrial parks in 30 cities, including Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Chengdu, Shanghai, Tianjin, Shenzhen, Chongqing, Wenzhou, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Dongying, Luoyang, Changsha and Xianyang.

Set out below is the consolidated financial information of the CEOVU Group for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 as extracted from 2018 annual report, 2019 annual report and 2020 interim report of CEOVU, respectively.

	Six months ended 30 June 2020 (Unaudited) *RMB'000*	Year ended 31 December 2019 (Audited) *RMB'000*	Year ended 31 December 2018 (Audited) *RMB'000*
Profit before taxation	168,371	956,735	903,693
Profit after taxation	102,954	594,183	590,916

The consolidated net assets of the CEOVU Group were RMB7,573.15 million as at 30 June 2020.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In 2014, the Company acquired 100% of the equity interest in China Electronics Technology Development Co., Ltd. from CEC for a cash consideration of RMB600.00 million (equivalent to HK$753.95 million). In 2016, the Company transferred 100% of the equity interest in China Electronics Technology Development Co., Ltd. to CEOVU for a consideration of RMB699,854,600 (equivalent to HK$846.82 million), which was satisfied by the allotment of 1,058,530,083 new ordinary shares of HK$0.10 each in the share capital of CEOVU and at the same time, the Company also subscribed in cash for 1,491,469,917 new ordinary shares of HK$0.10 each in the share capital of CEOVU for HK$1,193.18 million resulting in the Group holding the Transfer Shares at a total acquisition cost, on a cash basis, of HK$1,947.13 million.

The Group's investment in the Transfer Shares has been accounted for as an investment in associate in the Group's consolidated statement of financial position. As the acquisition of the Transfer Shares has been substantially financed by borrowings, the Group has been paying interest on these borrowings, which amounted to HK$143.17 million, HK$92.59 million and HK$95.89 million and accounted for 47.90%, 1,071.40% and 43.23% of the Group's cash flows generated from operations for the financial year ended 31 December 2017, 2018 and 2019, respectively. This financing cost had exerted significant pressure on the Group's operating cash flows and restricted the cash available for operations and development of the Group's principal activities. Given that the respective principal activities of the CEOVU Group and the Group are basically in different sectors and the synergetic effects generated between them are limited, investors consider that the Group's business positioning is not clear and have reservations about participating in the Group's fund raising plan, as a result of which the Group's financing ability has been affected to a certain extent. In this regard, the Board intends to repay a substantial portion of the short-term bank borrowings by the proceeds arising out of disposing the Transfer Shares held by the Group, which will significantly reduce interest expenses in the future and improve the Group's gearing ratio and net current liabilities position. The Disposal will also allow the Group to focus its resources on its core business areas. However, the Group has been unsuccessful in identifying any third party with an interest in acquiring the Transfer Shares. The Purchaser, a wholly-owned subsidiary of CEC, after arm's length negotiations with the Group, agreed to acquire the

Transfer Shares held by the Group at the price of HK$0.70 per Transfer Share for a consideration of HK$1,785.00 million. The price of HK$0.70 per Transfer Share represents a premium of 41.41% over the closing price of HK$0.495 per Transfer Share as quoted on the Stock Exchange on the Last Trading Day. The Disposal will lay an important foundation for the Group's business reorganisation and will be beneficial to the Group's business and development in the future.

Having considered the factors set out above, the Board considers that it is a good opportunity to realise the Group's investment in the Transfer Shares because:

(i) the price per Transfer Share represents a significant premium over the market price of the Transfer Share;

(ii) the Disposal will allow the Group to focus its resources on its core business areas;

(iii) the financial resources realised by the Disposal will strengthen the financial position of the Group; and

(iv) although the Disposal will result in an estimated accounting loss of HK$903.27 million to the Group, the cash loss will only be limited to HK$162.13 million calculated as the consideration for the Disposal of HK$1,785.00 million less the total acquisition cost, on a cash basis, for the Transfer Shares of HK$1,947.13 million.

The Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

As set out in the unaudited pro forma consolidated statement of financial position of the Remaining Group in Appendix III to this circular, the carrying value of the Group's investment in CEOVU is HK$2,615.89 million. Following the Completion, CEOVU will cease to be an associate company of the Group. After taking into account the consideration for the Disposal of HK$1,785.00 million, the carrying value of the Group's investment in CEOVU as at 30 June 2020, the release of accumulated translation reserve as at 30 June 2020, and the related transaction costs and taxes, it is estimated that a loss of HK$827.25 million will be recorded. Assuming the Completion had taken place on 30 June 2020, the total assets as at 30 June 2020 would have decreased from HK$5,152.53 million to HK$4,315.64 million as a result of the Disposal, the Disposal will not have any effect on the total liabilities as at 30 June 2020, and the total equity as at 30 June 2020 would have decreased from HK$2,038.19 million to HK$1,201.30 million as a result of the Disposal.

As set out in the unaudited pro forma consolidated statement of profit or loss of the Remaining Group in Appendix III to this circular, assuming the Disposal had taken place on 1 January 2019, the profit for the year ended 31 December 2019 attributable to owners of the Company of HK$155.16 million would have changed to a loss of HK$873.62 million as a result of the Disposal.

The actual financial effects of the Disposal, which will be calculated based on the carrying value of the Group's investment in CEOVU as at the date of the Completion, may be different and is subject to determination.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in the business of design and sale of integrated circuit chips.

CEC

CEC is a state-owned enterprise established under the laws of the PRC. Established in 1989 with the approval of the State Council of the PRC, CEC is a nationwide electronics and information technology conglomerate directly administered by the PRC government. CEC actively focuses on communications, consumer electronics products, semi-conductor and software sectors in the PRC. CEC is the ultimate controlling shareholder of the Company and is interested in 59.42% of the issued share capital of the Company.

The Seller

The Seller is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. It is an investment holding company primarily engaged in investment.

The Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of CEC. It is an investment holding company primarily engaged in investment.

LISTING RULES IMPLICATIONS

The Purchaser is a wholly-owned subsidiary of CEC, which is the ultimate controlling shareholder of the Company indirectly holding 59.42% of the issued share capital of the Company. The Purchaser is therefore a connected person of the Company under the Listing Rules. The Sale and Purchase Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder exceed 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

None of the Directors have a material interest in the Disposal. Accordingly, no Director was required to abstain from voting on the relevant board resolution.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.68(2)(a)(i) OF THE LISTING RULES

Rule 14.68(2)(a)(i) of the Listing Rules provides that a circular issued in relation to a very substantial disposal must contain on a disposal of a business, company or companies, financial information of either (A) the business, company or companies being disposed of, or (B) the listed issuer's group with the business, company or companies being disposed of shown separately as (i) disposal group(s) or (ii) discontinued operation(s) for the relevant period (as defined in the note to Rule 4.06(1)(a) of the Listing Rules). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity. The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any modifications in the review report.

Further, Note 2 to Rule 14.68(2)(a)(i) of the Listing Rules provides that the Stock Exchange may be prepared to relax the requirements of the said rule if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal.

The Company has applied for, and the Stock Exchange has granted, the waiver from strict compliance with Rule 14.68(2)(a)(i) of the Listing Rules on the following grounds:-

1. the Transfer Shares to be disposed of under the Sale and Purchase Agreement represented 33.67% of the issued share capital of CEOVU as at the date of the Sale and Purchase Agreement and the results and assets and liabilities of the CEOVU Group have been accounted for in the financial statements of the Group under equity method of accounting and not consolidated in the Group's financial statements before the Disposal;

2. CEOVU is a company with its shares listed on the Main Board of the Stock Exchange and publishes its annual report and interim report on the websites of the Stock Exchange and CEOVU. The audited consolidated financial statements of the CEOVU Group for each of the years ended 31 December 2017, 2018 and 2019 as disclosed in its respective annual reports and published by CEOVU have been audited by CEOVU's auditors in accordance with the International Standards on Auditing. The financial information of the CEOVU Group for the six months ended 30 June 2020 as disclosed in its 2020 interim report and published by CEOVU have been reviewed by CEOVU's auditors in accordance with the International Standard on Review Engagements 2410;

3. the Company has discussed with its reporting accountants in relation to the review procedure of the financial information of the CEOVU Group under Rule 14.68(2)(a)(i) of the Listing Rules, and in view of the fact that (a) completion of the review procedure by the reporting accountants foregoing mentioned will be highly dependent on the timing of provision of information from the management of the CEOVU Group or other relevant parties in response to the request(s) of the reporting accountants of the Company, and (b) there is no assurance that the CEOVU Group or other relevant parties would be able to provide the requested information to the satisfaction of the reporting accountants of the Company in a timely manner because the CEOVU Group or other relevant parties will take time to reply or provide the requested information to the reporting accountants of the Company, it would be practically difficult, time consuming and unduly burdensome to conduct the review procedure foregoing mentioned and any unexpected delay in completion of the review procedure by the reporting accountants of the Company will cause delay on the part of the Company to despatch this circular; and

4. the Company will disclose in this circular, as alternative disclosure, a summary of the financial information of the CEOVU Group (a) for each of the years ended 31 December 2017, 2018 and 2019 to be extracted from the respective annual reports of CEOVU, and (b) for the six months ended 30 June 2020 to be extracted from the 2020 interim report of CEOVU. The Board considers that the summary of the financial information of the CEOVU Group disclosed in such form and manner contains sufficient information to enable the Shareholders to make a properly informed assessment in respect of the Disposal.

The audited financial information of the CEOVU Group for each of the years ended 31 December 2017, 2018 and 2019 which are extracted from the respective annual reports of CEOVU, and the reviewed financial information of the CEOVU Group for the six months ended 30 June 2020 which are extracted from the 2020 interim report of CEOVU are set out in the Appendix II to this circular.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14.68(1), 14.66(11), 14A.70(7), 5.02, 5.02A(3) AND 5.03 OF THE LISTING RULES

In relation to valuation and disclosure of property interest or a company whose assets consist solely or mainly of property in a circular issued in relation to a very substantial disposal and connected transaction, the Listing Rules provide the following:-

1. Rule 14.68(1) of the Listing Rules provides that a circular issued in relation to a very substantial disposal must contain the information required under Rule 14.66;

2. Rule 14.66(11) of the Listing Rules provides that a circular relating to a major transaction must contain, where required by Chapter 5 of the Listing Rules, the information under that Chapter on the property interest being acquired or disposed by the listed issuer;

3. Rule 14A.70(7) of the Listing Rules provides that a circular for a connected transaction must contain at least, if the transaction involves the acquisition or disposal of any property interests or a company whose assets consist solely or mainly of property, a valuation and information on the property if required under Rule 5.03;

4. Rule 5.02 of the Listing Rules provides that for an acquisition or disposal of any property interest, or of a company whose assets consist solely or mainly of property, where any of the percentage ratios (as defined in Rule 14.04(9)) of the transaction is or is above 25%, then a valuation of and information on the property must be included in the circular issued to shareholders in connection with the acquisition or disposal (see Rule 14.66(11)) unless Rule 5.02A applies;

5. Rule 5.02A(3) of the Listing Rules provides that valuation of a property interest is not required if the company being acquired or disposed of is listed on the Stock Exchange, except if it is a connected transaction; and

6. Rule 5.03 of the Listing Rules provides that for a connected transaction involving an acquisition or a disposal of any property interest or of a company whose assets consist solely or mainly of property (including a company listed on the Stock Exchange), a valuation of and information on the property must be included in any circular issued to shareholders in connection with the acquisition or disposal (see Rule 14A.70(7)). The circular must include full text of valuation reports and the general information in Rule 5.10, if it applies.

The Company has applied for, and the Stock Exchange has granted, the waiver from strict compliance with Rules 14.68(1), 14.66(11), 14A.70(7), 5.02, 5.02A(3) and 5.03 of the Listing Rules on the following grounds:-

1. CEOVU is a company with its shares listed on the Stock Exchange whose assets consist mainly of property and despite the right of the Company to nominate 2 out of 9 directors of CEOVU pursuant to the transaction relating to the subscription of the shares of CEOVU as disclosed in the announcement of the Company dated 14 December 2015 and the circular dated 19 February 2016, these 2 directors (subsequently nominated by the Company through exercise of the right foregoing mentioned and appointed by CEOVU) have been exercising judgments for CEOVU independently of the Company and the Company is not in control of CEOVU or the CEOVU Group for provision of any land and/or properties information of the CEOVU Group for valuation and disclosure of such information by the Company in this circular in accordance with the Listing Rules;

2. according to CEOVU, the information relating to the land and/or properties of the CEOVU Group is confidential information of the CEOVU Group (and its joint venture partners, as the case may be) and disclosure of such information to any third parties (including the Company and its independent property valuer to perform valuation pursuant to Chapter 5 of the Listing Rules) will be subject to stringent internal approval of the CEOVU Group (and similar approvals of its joint venture partners, as the case may be) which will be lengthy and complicated due to the need to assess any adverse impacts or effects (including risks of accidental leakage of such confidential information and anything that might undermine the competitive position) that may cause to the CEOVU Group (or its joint venture partners, as the case may be) as a result of such disclosure and inclusion of such information in this circular not subject to the prior approval of the CEOVU Group, which process will be aggravated further by the huge number of land and/or properties of the CEOVU Group involved;

3. given that provision of such information by the CEOVU Group (and by its joint venture partners, as the case may be) is purely on a voluntary basis and it will take at least several months for the CEOVU Group (and its joint venture partners, as the case may be) to go through and complete their internal approval processes, it would be practically difficult, time consuming and unduly burdensome for the independent property valuer of the Company to carry out valuation of the land and/or properties of the CEOVU Group in accordance with Chapter 5 and Practice Note 12 of the Listing Rules, and any delay in the completion of the valuation process by the independent property valuer of the Company will cause delay on the part of the Company to despatch this circular; and

4. the Company will disclose in this circular, as alternative disclosure, the "Property Calculation Report" setting out (a) information on the land and/or properties of the CEOVU Group based on the information, materials, confirmations and representations provided by the CEOVU Group, and those information collected by the independent property valuer of the Company through making necessary enquiries with the CEOVU Group and site inspections, and (b) the reference values of the land and/or properties of the CEOVU Group calculated by the independent property valuer of the Company with inclusion of relevant property reference value calculation sheets.

Given that the reference values of the land and/or properties of the CEOVU Group prepared by the independent property valuer of the Company are subject to the limitations of (a) there being no independent verification carried out by the independent property valuer of the Company over the information, materials, confirmations and representations provided by the CEOVU Group, (b) no legal due diligence performed over the legal ownership and title(s) of the land and/or properties of the CEOVU Group and no reliance by the independent property valuer of the Company on any PRC legal opinion in arriving at their opinions of the relevant reference values of the land and/or properties of the CEOVU Group, and (c) all information provided by the CEOVU Group to the independent property valuer of the Company assumed to be complete and correct, the reference values in relation to the land and/or properties of the CEOVU Group prepared by the independent property valuer of the Company should not be regarded as or equivalent to any valuation of the land and/or properties of the CEOVU Group performed under Chapter 5 and Practice Note 12 of the Listing Rules, and the inclusion of the reference values and property reference value calculation sheets in this circular are for general reference purpose only for the Shareholders.

The "Property Calculation Report" prepared by the independent property valuer of the Company, APA, is set out in Appendix V to this circular.

SGM

A notice convening the SGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 27 October 2020 at 4:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular. At the SGM, an ordinary resolution will be proposed to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Any connected person, and any Shareholder with a material interest in the transaction and its associates, will not vote. As such, CEC and its associates shall abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the SGM shall be taken by poll.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

In light of the COVID-19 pandemic, Shareholders may consider appointing the chairman of the SGM as his/her proxy to vote on the resolution, instead of attending the SGM in person.

BOOK CLOSURE PERIOD

Shareholders whose names appear on the register of members of the Company at the close of business on 21 October 2020 will be entitled to attend and vote at the SGM. The register of members of the Company will be closed from 21 October 2020 to 27 October 2020 (both days inclusive), during which period no transfer of Shares will be registered.

In order to be entitled to attend and vote at the SGM, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 October 2020.

RECOMMENDATION

Based on the relevant information disclosed herein, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

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

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

CEC
华大科技
HUADA TECHNOLOGY

CHINA ELECTRONICS HUADA TECHNOLOGY COMPANY LIMITED
中國電子華大科技有限公司

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

(Stock Code: 00085)

30 September 2020

To the Independent Shareholders

Dear Sirs or Madams,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 33.67% OF THE ISSUED SHARE CAPITAL OF CHINA ELECTRONICS OPTICS VALLEY UNION HOLDING COMPANY LIMITED

We refer to the circular of the Company dated 30 September 2020 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter will have the same meanings as those defined in the Circular, unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement. In this connection, Somerley has been appointed as the independent financial adviser to advise on these matters.

Your attention is drawn to the letter from the Board as set out on pages 4 to 16 of the Circular which contains, among others, details of the terms of the Sale and Purchase Agreement, the letter from Somerley as set out on pages 19 to 55 of the Circular which contains the advice from Somerley in respect of the terms of the Sale and Purchase Agreement, and the information set out in the appendices thereto.

We, having considered the terms of the Sale and Purchase Agreement and having taken into account the principal factors and reasons considered by Somerley as stated in its letter, consider that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, as detailed in the notice of SGM as set out on pages SGM-1 to SGM-2 of the Circular.

Yours faithfully,
Independent Board Committee
China Electronics Huada Technology Company Limited
Chan Kay Cheung **Qiu Hongsheng** **Chow Chan Lum**
Independent Non-executive Directors

Set out below is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in connection with the Disposal, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 September 2020

To: The Independent Board Committee and the Independent Shareholders of China Electronics Huada Technology Company Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 33.67% OF THE ISSUED SHARE CAPITAL OF CHINA ELECTRONICS OPTICS VALLEY UNION HOLDING COMPANY LIMITED

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal. Details of the Disposal are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 30 September 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 30 July 2020, the Seller, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, a wholly-owned subsidiary of CEC, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Transfer Shares, being ordinary shares of HK$0.10 each in the share capital of CEOVU representing 33.67% of the issued share capital of CEOVU at a consideration of HK$1,785.0 million (the "**Consideration**"). Upon the Completion, CEOVU will cease to be an associate company of the Group.

The Purchaser is a wholly-owned subsidiary of CEC, which is the ultimate controlling shareholder of the Company indirectly holding 59.42% of the issued share capital of the Company. As such, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Disposal exceed 75%, the Disposal also constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Therefore, the Disposal is subject to reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Chow Chan Lum, has been established to advise the Independent Shareholders on the terms of the Disposal and to make recommendation as to voting. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, CEC, the Seller, the Purchaser or any of their close associates, associates or core connected persons (all as defined in the Listing Rules) and accordingly we are considered eligible to give independent advice on the above matters. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, CEC, the Seller, the Purchaser or any of their close associates, associates or core connected persons.

In formulating our opinion and recommendation, we have reviewed, among other things, the Sale and Purchase Agreement, the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**"), the annual reports of the Company for the years ended 31 December 2019 (the "**2019 Annual Report**"), 2018 and 2017, the interim report of CEOVU for the six months ended 30 June 2020 (the "**CEOVU 2020 Interim Report**"), the annual reports of CEOVU for the years ended 31 December 2019 (the "**CEOVU 2019 Annual Report**"), 2018 and 2017, the unaudited pro forma financial information of the Remaining Group (the "**Pro Forma Financial Information**") as set out in appendix III to the Circular, the property calculation report issued by APA, the independent property valuer, in relation to the calculation of the reference value of properties held by the CEOVU Group as at 30 June 2020 as set out in appendix V to the Circular and the information as set out in the Circular. We have also discussed with the management of the Group (the "**Management**") about CEOVU and the future prospects of the Group. We have also interviewed and discussed with APA regarding the Calculation (as defined below).

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group and the CEOVU Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

(a) Principal business of the Group

The Group is principally engaged in the business of design and sale of integrated circuit chips. As stated in the 2019 Annual Report, the Group is a leader of the security smart card chips industry in the PRC. The Group's products are mainly used in sector of identity authentication, financial payment, government utilities as well as telecommunication. The Group has obtained 31 new patents, registered 1 new software copyright and 5 new integrated circuits layout designs for the year ended 31 December 2019.

The Group completed the acquisition of the 33.67% interest in CEOVU in 2016 and it is one of the major investments of the Group. The principal activities of the CEOVU Group mainly include (i) rental and sales of industrial parks; (ii) industrial park operation services; and (iii) industrial investment. The investment in CEOVU held by the Group is classified as investment in associates in the financial statements of the Group and the results and assets and liabilities of the CEOVU Group have been accounted for in the financial statements of the Group under equity method of accounting. Further details of the CEOVU Group are set out in the section headed "4. Information of the CEOVU Group" in this letter.

(b) Financial performance of the Group

Set out in the table below is a summary of the Group's financial performance for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

	For the six months ended 30 June		For the year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Revenue	716.4	908.6	1,695.5	1,687.0	1,453.0
Cost of sales	(462.6)	(608.5)	(1,159.0)	(1,156.3)	(952.7)
Gross profit	253.8	300.1	536.5	530.7	500.3
Other income	14.3	24.4	34.9	32.8	133.2
Selling and marketing costs	(38.1)	(43.5)	(83.1)	(90.3)	(97.6)
Administrative expenses	(136.6)	(165.4)	(345.8)	(343.6)	(332.9)
Impairment losses on trade and other receivables	(7.7)	(8.1)	(7.4)	(20.2)	(19.3)
Operating profit	85.7	107.5	135.1	109.4	183.7
Net finance costs	(47.3)	(52.2)	(101.3)	(92.0)	(93.0)
Share of results of associates	38.2	16.9	121.0	126.7	129.8
Share of result of a joint venture	–	–	–	0.2	(2.5)
Profit before taxation	76.6	72.2	154.8	144.3	218.0
Taxation	(7.8)	0.9	2.8	(27.7)	3.9
Profit for the period/year	68.8	73.1	157.6	116.6	221.9
Profit attributable to the Shareholders	67.5	72.2	155.2	113.3	220.1

Note: The above figures are subject to rounding adjustments.

The revenue of the Group increased from HK$1,453.0 million for the year ended 31 December 2017 to HK$1,695.5 million for the year ended 31 December 2019, representing a compound annual growth rate ("**CAGR**") of 8.0%. For the year ended 31 December 2018, the types of smart card chips that recorded growth in sales volume were mainly financial payment and social security products with unit price higher than the weighted average selling price. Revenue of the Group for the year ended 31 December 2018 was HK$1,687.0 million, representing an increase of 16.1% when comparing with that for the year ended 31 December 2017 of HK$1,453.0 million. For the year ended 31 December 2019, overall sales volume of the Group increased by 10.0% when comparing with that for the year ended 31 December 2018. As the recorded growth in sales volume for the year ended 31 December 2019 was mainly telecommunication card chips with unit price below the weighted average selling price, and along with the effect of decrease in selling price of smart card chips in general when comparing with that for the year ended 31 December 2018 resulting from further intensification of market price competition on the revenue during the year ended 31 December 2019, revenue of the Group for the year ended 31 December 2019 was HK$1,695.5 million, at a level similar to that of 2018. The revenue for the six months ended 30 June 2020 was HK$716.4 million, representing a decrease of 21.1% when comparing with that for the corresponding period in 2019. The decline was mainly because the decrease in sales volume of various types of smart card chips in the first half of 2020 mainly involved products with higher unit price and the impact of a general decline in the selling price of smart card chips when comparing with that for the corresponding period in 2019 as a result of further intensification in market price competition.

The gross profit for the year ended 31 December 2018 was HK$530.7 million, representing an increase of HK$30.4 million or 6.1% as compared with that for the year ended 31 December 2017 of HK$500.3 million. The gross profit margin decreased from 34.4% for the year ended 31 December 2017 to 31.5% for the year ended 31 December 2018. Through successfully conducting research of, applying and promoting different types of raw materials, the Group has not only relieved the problem of shortage of raw material, but also controlled and reduced cost to a certain extent, and partly offset the negative effect on the overall gross profit margin of the year ended 31 December 2018 brought by the decrease in selling price of financial payment chips as well as telecommunication and mobile payment chips when comparing with that for the year ended 31 December 2017 due to intensifying competition in the market. The gross profit and the gross profit margin for the year ended 31 December 2019 were HK$536.5 million and 31.6% respectively. The Group has successfully conducted research of and promoted the use of different types of raw materials, which has both mitigated the problem of shortage of raw materials and achieved cost reduction to a certain extent, and offset the negative impact of decrease in selling price of smart card chips when comparing with the year ended 31 December 2018 caused by intense market competition on the overall gross profit margin of the year. The gross profit and the gross profit margin for the six months ended 30 June 2020 were HK$253.8 million and 35.4% respectively. While the gross profit dropped by HK$46.3 million as compared to that for the corresponding period in 2019, the gross profit margin has improved by 2.4 percentage points, which was through adjusting the product mix of the Group's smart card chips business and focusing on products with a better gross profit margin, and also strengthening cost control and striving to expand market shares of the Group's products during the period.

The share of results from associates represented primarily the profit contribution from CEOVU. The Group's share of result from CEOVU for the year ended 31 December 2018 was HK$126.0 million, representing an increase of HK$1.9 million when comparing with that of HK$124.1 million for the year ended 31 December 2017. The Group's share of result from CEOVU for the year ended 31 December 2019 however dropped to HK$120.2 million. The Group's share of result from CEOVU for the six months ended 30 June 2020 was HK$38.2 million, representing an increase of HK$21.4 million as compared with that for the corresponding period in 2019 of HK$16.8 million. Further analysis of the financial performance of the CEOVU Group is set out in the sub-section headed "4(c) Financial performance of the CEOVU Group" in this letter.

The net finance costs for the year ended 31 December 2018 was HK$92.0 million, which was relatively similar to that for the year ended 31 December 2017 of HK$93.0 million. The average effective interest rate of the Group's bank and other borrowings at 31 December 2018 was 4.15% per annum, representing an increase from that of 3.57% per annum at 31 December 2017. The net finance costs for the year ended 31 December 2019 increased to HK$101.3 million. The average effective interest rate of the Group's bank and other borrowings at 31 December 2019 was 4.2% per annum. The net finance costs for the six months ended 30 June 2020 was HK$47.3 million, representing a decrease of HK$4.9 million as compared with that for the corresponding period in 2019 of HK$52.2 million.

For the profit attributable to the Shareholders, it declined by 48.5% from HK$220.1 million for the year ended 31 December 2017 to HK$113.3 million for the year ended 31 December 2018. Despite recording a growth in revenue for the year ended 31 December 2018, the decline in profit attributable to the Shareholders was mainly due to the absence of the recognition of a one-off gain before taxation from disposal of the Group's navigation chips business of HK$102.5 million for the year ended 31 December 2017.

For the year ended 31 December 2019, the profit attributable to the Shareholders was HK$155.2 million, representing a year-on-year increase of 37.0% as compared with that for the year ended 31 December 2018. The improvement of the results was mainly attributable to (i) the decrease in impairment losses on trade and other receivables from HK$20.2 million for the year ended 31 December 2018 to HK$7.4 million for the year ended 31 December 2019; and (ii) the recognition of an income tax credit of HK$2.8 million for the year ended 31 December 2019 as compared with an income tax expense of HK$27.7 million for the year ended 31 December 2018.

For the six months ended 30 June 2020, the profit attributable to the Shareholders was HK$67.5 million, representing a decrease of HK$4.7 million as compared with that for the corresponding period in 2019 of HK$72.2 million. The deterioration of the results was mainly due to the combined effects of: (i) the decrease in revenue as mentioned above; (ii) the decrease in other income of HK$10.1 million chiefly due to absence of one-off gain arising from the disposal of a building in the PRC for the six months ended 30 June 2019; and (iii) the decrease in administrative expenses of 17.4% through the continuous implementation of stringent cost control measures by the Group.

(c) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020.

	As at 30 June	As at 31 December		
	2020	2019	2018	2017
	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
ASSETS				
Non-current assets				
Investment in associates	2,630.0	2,707.9	2,665.8	2,782.3
Property, plant and equipment	54.3	63.2	367.6	420.4
Others	175.8	145.2	100.2	111.4
	2,860.1	2,916.3	3,133.6	3,314.1
Current assets				
Inventories	463.9	460.6	603.7	406.1
Trade and other receivables	1,075.3	713.6	722.9	767.3
Short-term deposits and cash and cash equivalents	684.4	801.2	466.8	384.8
Restricted cash	54.7	–	–	–
Others	14.1	14.2	42.1	202.5
	2,292.4	1,989.6	1,835.5	1,760.7
Total assets	5,152.5	4,905.9	4,969.1	5,074.8
EQUITY				
Capital and reserves attributable to the Shareholders	2,016.6	2,036.7	1,922.4	2,025.5
Non-controlling interests	21.6	20.1	18.8	16.4
	2,038.2	2,056.8	1,941.2	2,041.9
LIABILITIES				
Non-current liabilities				
Lease liabilities	41.0	32.2	–	–
Others	11.0	12.9	24.5	14.1
	52.0	45.1	24.5	14.1
Current liabilities				
Bank and other borrowings	2,309.4	2,188.0	2,295.3	2,314.5
Trade and other payables	654.3	537.5	638.5	634.8
Others	98.6	78.5	69.6	69.5
	3,062.3	2,804.0	3,003.4	3,018.8
Total equity and liabilities	5,152.5	4,905.9	4,969.1	5,074.8
Net current liabilities	769.9	814.4	1,167.9	1,258.1

Note: The above figures are subject to rounding adjustments.

As at 30 June 2020, total assets of the Group were HK$5,152.5 million, representing an increase of HK$246.6 million from that as at 31 December 2019. The Group had a significant portion, around 51.0%, of its total assets as at 30 June 2020 represented by investment in associates, which substantially consisted of the 33.67% interest in CEOVU. As at 30 June 2020, the book value of the Group's investment in CEOVU was HK$2,615.9 million while the corresponding fair value, based on the closing price of CEOVU ordinary share as quoted on the Stock Exchange on the same date, was HK$1,185.8 million.

The Group's operations were largely financed by the Shareholders' equity and bank and other borrowings. As at 30 June 2020, the entire bank and other borrowings of HK$2,309.4 million was due within one year. With the heavy short-term borrowings, the Group had a net current liability position of HK$769.9 million as at 30 June 2020. The gearing ratio, which is calculated as net debt (i.e. bank and other borrowings less short-term deposits, restricted cash and cash and cash equivalents) divided by the sum of total equity and net debt of the Group, as at 30 June 2020 was 43.5%, representing an increase of 3.2 percentage points from that of 40.3% as at 31 December 2019.

Net asset value ("**NAV**") attributable to the Shareholders was HK$2,016.6 million as at 30 June 2020, representing a decrease of 1.0% from that as at 31 December 2019. The decrease in the NAV was mainly due to the combined effects of: (i) the profit attributable to the Shareholders for the six months ended 30 June 2020 of HK$67.5 million; (ii) the accrual of final dividend for the year ended 31 December 2019 of HK$46.7 million; and (iii) the decrease in reserves for the six months ended 30 June 2020 mainly due to exchange differences on translation of financial statements of HK$40.7 million.

2. Reasons for and benefits of the Disposal

As discussed in the letter from the Board contained in the Circular, the Company acquired 100% of the equity interest in China Electronics Technology Development Co., Ltd. from CEC for a cash consideration of RMB600.00 million (equivalent to HK$753.95 million) in 2014. In 2016, the Company transferred 100% of the equity interest in China Electronics Technology Development Co., Ltd. to CEOVU for a consideration of RMB699,854,600 (equivalent to HK$846.82 million), which was satisfied by the allotment of 1,058,530,083 new ordinary shares of HK$0.10 each in the share capital of CEOVU and at the same time, the Company also subscribed in cash for 1,491,469,917 new ordinary shares of HK$0.10 each in the share capital of CEOVU for HK$1,193.18 million resulting in the Group holding the Transfer Shares at a total acquisition cost, on a cash basis, of HK$1,947.13 million (together, the "**CEOVU Acquisition**"). The Group's investment in the Transfer Shares has been accounted for as investment in associates in the Group's consolidated statement of financial position.

The acquisition of the Transfer Shares has been substantially financed by borrowings and the relevant interest payment has put significant pressure on the Group's cashflow and drained the cash generated from operations in recent years. The table below sets out (i) the interest payment of the borrowings in relation to the acquisition of the Transfer Shares (the "**Interest Payment**"); (ii) dividends received from CEOVU; (iii) the net interest payment, being the difference between the Interest Payment and the dividends received from CEOVU (the "**Net Interest Payment**"); (iv) the cash flows generated from operations; and (v) the Interest Payment and the Net Interest Payment as a percentage of the cash flows generated from operations (the "**Interest Payment Percentage**" and "**Net Interest Payment Percentage**" respectively) of the Group during each of the years ended 31 December 2017, 2018 and 2019:

	For the year ended 31 December			
	2017	**2018**	**2019**	**Total**
	(HK$ '000)	*(HK$ '000)*	*(HK$ '000)*	*(HK$'000)*
The Interest Payment *(Note 1)*	(143,170)	(92,590)	(95,890)	(331,650)
Dividends received from CEOVU	51,000	51,000	63,750	165,750
The Net Interest Payment	(92,170)	(41,590)	(32,140)	(165,900)
Cash flows generated from operations	298,903	8,642	221,793	529,338
The Interest Payment Percentage	47.9%	1,071.4%	43.2%	62.7%
The Net Interest Payment Percentage	30.8%	481.3%	14.5%	31.3%

Notes:

1. The Company redeemed unsecured bonds with 4.70% coupon rate in the principal amount of RMB2,750.0 million in full in January 2017, which was originally issued to fund the Group's investment in the Transfer Shares, and resulted in a higher interest payment for the year ended 31 December 2017 than that of other years as stated above.

2. The above figures are subject to rounding adjustments.

Based on the table above, we noted that the Interest Payment Percentages were in the range of 43.2% and 1,071.4% and the Net Interest Payment Percentages were in the range of 14.5% and 481.3% over the 3-year period. The average Interest Payment Percentage and the average Net Interest Payment Percentage were 62.7% and 31.3% respectively over the 3-year period. Accordingly, the Board is of the view that the financing cost of the investment in the Transfer Shares had exerted significant pressure on the Group's operating cash flows and restricted the cash available for operations and development of the Group's principal activities. Given that the respective principal activities of the CEOVU Group and the Group are basically in different sectors and the synergetic effects generated between them are limited, investors consider that the Group's business positioning is not clear and have reservations about participating in the Group's fund raising plan, as a result of which the Group's financing ability has been affected to a certain extent.

In view of this, the Board intends to repay a substantial portion of the short-term bank borrowings by the proceeds arising out of disposing of the Transfer Shares held by the Group, which will significantly reduce interest expenses in the future and improve the Group's gearing ratio and net current liability position, which amounted to 43.5% and HK$769.9 million as at 30 June 2020 respectively. Based on the Pro Forma Financial Information, the Remaining Group would have become a net cash position and therefore the gearing ratio would have become not applicable upon the Completion. Furthermore, the Remaining Group's cash and cash equivalents would have significantly improved due to the receipt of the net proceeds from the Disposal of HK$1,779.0 million (being the Consideration of HK$1,785.0 million minus the estimated related transaction expenses of HK$6.0 million) (the "**Net Proceeds**") and the net current liabilities would have turned to net current assets of HK$1,009.1 million. For details, please refer to the sub-sections headed "(c) Gearing" and "(d) Liquidity" under the section headed "6. Financial effects of the Disposal on the Group" in this letter and the Pro Forma Financial Information as set out in appendix III to the Circular.

The Board is also of the view that the Disposal will also allow the Group to focus its resources on its core business areas. As stated in the 2019 Annual Report, the integrated circuits industry in 2020 is expected to see increasingly fierce competition in both domestic and international markets, with apparent trend of increasing industry chain costs and downward trend of product selling price further accelerating. Nevertheless, further application of the domestic-made substitutes and the state cryptographic algorithm in certain sectors of smart card chips market in 2020, as well as 5G and Internet of Things becoming the key development direction of new infrastructure, both of which will push up demand for higher information security and will bring market opportunities to the businesses of the Group. As such, since the liquidity and cash flow condition of the Group are expected to be improved upon the Completion, the Group's capital capability to support its business development shall also improve in the future.

Lastly, it was stated in the letter from the Board contained in the Circular that the Group has been unsuccessful in identifying any third party with an interest in acquiring the Transfer Shares. We understood that the Company engaged a financial adviser to identify and approach potential investors in acquiring the Transfer Shares. Based on our discussion with the representative of the financial adviser, it was noted that they had approached, on a selective basis, a number of potential independent third party purchasers in respect of the disposal of the Transfer Shares but they had not received any feedback in this regard. The Purchaser, a wholly-owned subsidiary of CEC, after arm's length negotiations with the Group, agreed to acquire the Transfer Shares held by the Group at the price of HK$0.70 per Transfer Share for a consideration of HK$1,785.0 million. The price of HK$0.70 per Transfer Share represents a premium of 41.41% over the closing price of HK$0.495 per Transfer Share as quoted on the Stock Exchange on the Last Trading Day. According to the Management, the Disposal will lay an important foundation for the Group's business reorganisation and will be beneficial to the Group's business and development in the future.

3. Principal terms of the Sale and Purchase Agreement

Date

30 July 2020

Parties

(i) The Seller; and

(ii) The Purchaser

Subject

The Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Transfer Shares, being ordinary shares of HK$0.10 each in the share capital of CEOVU representing 33.67% of the issued share capital of CEOVU.

Consideration

The consideration for the Disposal is HK$1,785.0 million and shall be paid by the Purchaser to the Seller on the Completion which will take place within 30 Business Days after all conditions precedent have been satisfied (unless otherwise waived by the Seller or the Purchaser if applicable and as the case may be).

Basis of determination of the Consideration

The consideration for the Disposal was agreed between the Seller and the Purchaser after arm's length negotiations and having taken into account the historical business performance, financial position and net asset value of the CEOVU Group, the prevailing market price of the Transfer Share and the factors set out in the section headed "Reasons for and benefits of the Disposal" in the letter from the Board contained in the Circular.

Use of proceeds

The gross proceeds from the Disposal are expected to be HK$1,785.0 million and the net proceeds (after deduction of related transaction expenses) are expected to be HK$1,779.0 million. The Company intends to use all the net proceeds for the repayment of its short-term bank borrowings.

Conditions precedent

The Completion is conditional upon satisfaction of, among others, the followings conditions precedent:

(i) the Purchaser having obtained the GO Waiver from the Executive and the GO Waiver not having been cancelled or withdrawn;

(ii) the Company having obtained the approval from the Independent Shareholders pursuant to the Listing Rules in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(iii) the continued listing of CEOVU and trading of its shares on the Stock Exchange at the time of the Completion (save and except any suspension of trading of its shares for any period not exceeding 7 Business Days or any suspension of trading of its shares by reason of the Sale and Purchase Agreement and the transactions contemplated thereunder); and

(iv) there being no indication or notice from the Stock Exchange or the SFC with respect to cancellation or withdrawal of the listing status of CEOVU.

None of the conditions precedent above can be waived. Other conditions precedent to the Sale and Purchase Agreement are set out in the letter from the Board contained in the Circular. As at the Latest Practicable Date, save for the obtaining of the GO Waiver in condition (i) above, no other conditions precedent as set out in the Sale and Purchase Agreement has been satisfied or waived.

The Completion

The Completion shall take place within 30 Business Days after all the conditions precedent have been satisfied (unless otherwise waived by the Seller or the Purchaser if applicable and as the case may be) and the consideration for the Disposal in the amount of HK$1,785.0 million shall be paid by the Purchaser to the seller and the Seller shall complete transfer of the Transfer Shares to the Purchaser.

4. Information of the CEOVU Group

(a) Principal business of the CEOVU Group

The principal activities of the CEOVU Group mainly includes:

(i) Rental and sales of industrial parks: including sale and leasing of industrial park space;

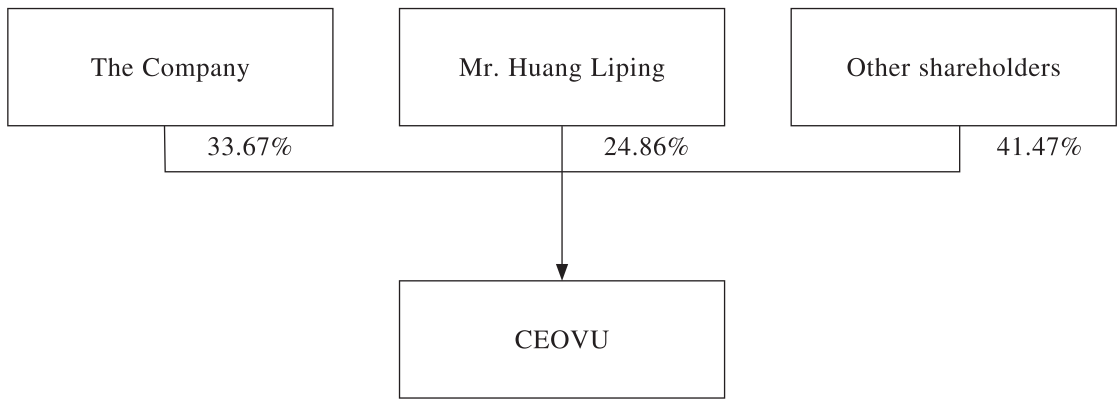
(ii) Industrial park operation services: including design and construction services, property management service, energy services, intelligent park services, incubator and office sharing services, financial services in parks, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment; and

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

As at 31 December 2019, the CEOVU Group's industrial parks business covered 30 cities across the PRC with more than 40 projects ongoing. The CEOVU Group had land bank of 5.965 million square meters ("**sq.m.**") in various cities, such as Chengdu, Changsha, Shanghai, Ningbo and Luoyang as at 31 December 2019, and the land bank slightly decreased to 5.836 million sq.m. as at 30 June 2020. The CEOVU Group had lettable floor space of 305,000 sq.m. for industrial park use as at 31 December 2019 and it further increased to 355,000 sq.m. as at 30 June 2020 with occupancy rate of over 80% as at 31 December 2019 and 30 June 2020. Furthermore, the CEOVU Group has secured new annual contracts amounting to RMB7,601.8 million for the year ended 31 December 2019, among which, the amount contracted for industrial park operation services was RMB5,597.5 million, representing 73.6% of the total contracted amount and the amount contracted for sales of industrial parks was RMB2,004.3 million, representing 26.4% of the total contracted amount. Set out below is the geographical presence of the CEOVU Group in the PRC as at 31 December 2019:

(b) Shareholding of CEOVU

Shares of CEOVU are listed on the Main Board of the Stock Exchange. The chart below sets out the simplified shareholding structure of CEOVU, based on publicly available information, as at the Latest Practicable Date:



Source: The CEOVU 2020 Interim Report and the disclosure of interests

Note: The shareholding percentages in the chart above has not taken into account the treasury shares of CEOVU as at the Latest Practicable Date.

While the Company (through its wholly-owned subsidiary, CEC Media Holdings Limited) was the single largest shareholder of CEOVU, it only held 33.67% of the issued share capital of CEOVU as at the Latest Practicable Date. Mr. Huang Liping ("**Mr. Huang**"), the second largest shareholder of CEOVU holding 24.86% of the issued share capital of CEOVU, is the co-chairman, president and an executive director of CEOVU. As advised by the Management, Mr. Huang is independent of the Group except for his role in CEOVU as mentioned above. Also, the Company is not in control of the board of directors or management of CEOVU and the operations of the CEOVU are independent of that of the Group. Save for the Company and Mr. Huang, there were no other shareholder of CEOVU owned 10% or more of the issued share capital of CEOVU as at the Latest Practicable Date.

(c) Financial performance of the CEOVU Group

Set out below is a summary of the financial performance of the CEOVU Group for the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2019 and 2020 (the "**Review Period**").

	For the six months ended 30 June				For the year ended 31 December					
	2020		2019		2019		2018		2017	
	(RMB million)	*% of revenue*	*(RMB million)*	*% of revenue*	*(RMB million)*	*% of revenue*	*(RMB million)*	*% of revenue*	*(RMB million)*	*% of revenue*
Revenue										
Sales of industrial parks	340	*37%*	420	*37%*	1,656	*49%*	1,662	*55%*	1,722	*64%*
Industrial park leasing	96	*10%*	87	*8%*	206	*6%*	166	*6%*	108	*4%*
Design and construction services	163	*18%*	267	*23%*	681	*20%*	473	*16%*	392	*15%*
Property management services	242	*26%*	230	*20%*	543	*16%*	448	*15%*	292	*11%*
Others	82	*9%*	139	*12%*	291	*9%*	252	*8%*	179	*6%*
	923	*100%*	1,143	*100%*	3,377	*100%*	3,001	*100%*	2,693	*100%*
Cost of sales	(681)		(763)		(2,302)		(1,965)		(1,706)	
Gross profit	242		380		1,075		1,036		987	
Other income and gains/(losses) – net	29		105		275		224		(22)	
Selling and distribution expenses	(47)		(54)		(117)		(86)		(81)	
Administrative expenses	(140)		(184)		(335)		(295)		(259)	
Net (losses)/reversal of impairment on financial and contract assets	(9)		3		(24)		(3)		–	
Fair value gains on investment properties	118		40		156		57		247	
Other expenses	(1)		–		–		–		–	
Operating profit	192		290		1,030		933		872	
Finance costs – net	(63)		(52)		(161)		(110)		(67)	
Share of (losses)/profits of associates	–		(30)		45		64		22	
Share of profits of joint ventures	39		12		43		17		3	
Profit before income tax	168		220		957		904		830	
Income tax expense	(65)		(101)		(363)		(313)		(344)	
Profit for the period/year	103		119		594		591		486	
Profit/(Loss) for the period/year attributable to:										
Shareholders of CEOVU	120		141		569		542		446	
Non-controlling interests	(17)		(22)		25		49		40	
	103		119		594		591		486	
Dividends	–		–		173		162		129	
Dividends per share of CEOVU *(HK cents)*	–		–		2.50		2.50		2.00	
(equivalent to RMB cents)	–		–		2.28		2.13		1.67	

Note: The above figures are subject to rounding adjustments.

The total revenue of the CEOVU Group increased from RMB2,693 million for the year ended 31 December 2017 to RMB3,377 million for the year ended 31 December 2019, representing a CAGR of 12.0%. As shown in the table above, sales of industrial parks accounted for the largest portion of the CEOVU Group's revenue, which amounted to RMB1,656 million for the year ended 31 December 2019 but was lower than that of RMB1,722 million for the year ended 31 December 2017. The drop in the revenue of the sales of industrial parks was due to the lower booked sales area or recognised average selling price. The revenue of sales of industrial parks as a percentage of total revenue had a downward trend dropping from 64% for the year ended 31 December 2017 to 49% for the year ended 31 December 2019. The total revenue of the CEOVU Group for the six months ended 30 June 2020 was RMB923 million, representing a decrease of 19.2% from RMB1,143 million for the corresponding period in 2019. As shown in the table above, except for the slight increases in revenue of the industrial park leasing and property management services, which amounted to RMB96 million and RMB242 million respectively, representing increases of 10.3% and 5.2% respectively from that of the corresponding period in 2019, revenue of other business segments fell notably. In particular, revenue of sales of industrial parks and design and construction services fell from RMB420 million and RMB267 million for the six months ended 30 June 2019 to RMB340 million and RMB163 million for the six months ended 30 June 2020 respectively, representing decreases of 19.0% and 39.0% respectively. During the Review Period, revenue generated from the sales of industrial parks had no growth and showed signs of sluggish prospect. Meanwhile, revenue from all other business segments had increased notably during the Review Period, putting a heavier weighting to the CEOVU Group's business.

As a result of the foregoing, gross profit of the CEOVU Group increased from RMB987 million for the year ended 31 December 2017 to RMB1,075 million for the year ended 31 December 2019, representing a CAGR of 4.4%. However, the gross profit margins dropped notably during the Review Period and they amounted to 36.7%, 34.5% and 31.8% for the years ended 31 December 2017, 2018 and 2019 respectively. Furthermore, gross profit of the Group for the six months ended 30 June 2020 amounted to RMB242 million, representing a decrease of RMB138 million or 36.3% as compared with that for the corresponding period in 2019. Gross profit margin for the six months ended 30 June 2020 was 26.2%, representing a further decrease of 7.1 percentage points from 33.3% for the corresponding period in 2019. The fall in gross profit margins was primarily due to the increasing scale of business segments, other than the sales of industrial parks, during the Review Period, which collectively had a lower gross profit margin than the gross profit margin of the sales of industrial parks and, hence, reduced the overall gross profit margins of the CEOVU Group.

Overall, the net profit of the CEOVU Group increased from RMB486 million for the year ended 31 December 2017 to RMB594 million for the year ended 31 December 2019, representing a CAGR of 10.6%, and whereas the net profit of the CEOVU Group decreased from RMB119 million for the six months ended 30 June 2019 to RMB103 million for the six months ended 30 June 2020. It should be noted that the net profit of the CEOVU Group during the Review Period was fuelled by, among others, various one-off and/or non-operating items such as fair value gains and disposal gains or losses (the "**Excluded Items**"). For illustrative purpose only, we set out in the table below a reconciliation of reported net profit to adjusted net profit or loss of the CEOVU Group after taking out these Excluded Items for the Review Period.

	For the six months ended 30 June		For the year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Reported net profit for the period/year of the CEOVU Group	103	119	594	591	486
Add/(Less):					
Fair value gains on investment properties	(118)	(40)	(156)	(57)	(247)
Other income and (gains)/losses – net					
– Gain on disposal of investment properties	–	(6)	(112)	(47)	(23)
– Fair value gains on financial assets at fair value through profit or loss	–	(82)	(82)	–	–
– Government subsidies	(17)	(11)	(53)	(27)	(18)
– Gains from deemed partial disposal	–	–	(28)	(30)	(29)
– Loss on disposal of subsidiaries/a joint venture/ an associate, net	–	–	2	13	100
– Net gain on transfer from investment in associates to financial assets at fair value through profit or loss	–	–	–	(129)	–
– Income in relation to rental exemption for COVID-19	(10)	–	–	–	–
– Others	(2)	(6)	(2)	(4)	(8)
Adjusted net (loss)/profit for the period/year of the CEOVU Group	(44)	(26)	163	310	261

Notes:

1. The above figures are subject to rounding adjustments.

2. The analysis above has not taken into account any potential tax implications, if any, attributable to the respective Excluded Items.

As noted from the table above, if the respective Excluded Items were taken out from the reported net profits of the CEOVU Group, the reported net profits would have reduced to RMB261 million, RMB310 million and RMB163 million for the years ended 31 December 2017, 2018 and 2019 respectively. Similarly, the reported net profits would have become losses of RMB26 million and RMB44 million for the six months ended 30 June 2019 and 2020 respectively on the same basis. As such, the core financial performance of the CEOVU Group during the Review Period was worse than that as reported. Moreover, the adjusted net profit of the CEOVU Group would have only increased during the year ended 31 December 2018, representing a growth of 18.8% from that for the previous year, and it would have followed by a drop of 47.4% during the year ended 31 December 2019 and the adjusted net loss of the CEOVU Group during the six months ended 30 June 2020 would have further increased by 69.2% from that for the corresponding period in 2019.

The reported profit attributable to the shareholders of CEOVU exhibited a similar pattern as the reported profit of the CEOVU Group during the Review Period. While the reported profit attributable to the shareholders of CEOVU increased from RMB446 million for the year ended 31 December 2017 to RMB569 million for the year ended 31 December 2019, representing a CAGR of 13.0%, these amounts, after adjusted for the Excluded Items would have reduced in a similar manner as shown in the table above.

(d) Financial position of the CEOVU Group

Set out below is a summary of financial position of the CEOVU Group as at 31 December 2017, 2018 and 2019 and 30 June 2020.

	As at 30 June	**As at 31 December**		
	2020	**2019**	**2018**	**2017**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Non-current assets				
Property, plant and equipment	441	441	454	354
Investment properties	4,063	3,651	2,566	2,318
Investments in associates	1,555	1,554	1,518	1,268
Investments in joint ventures	222	183	190	143
Other non-current assets	566	559	509	136
	6,847	6,388	5,237	4,219
Current assets				
Properties under development	2,609	2,509	2,357	1,969
Completed properties held for sale	3,216	3,067	2,399	2,297
Trade and other receivables	1,641	1,857	1,921	1,869
Contract assets	1,584	1,605	785	–
Cash and cash equivalents	1,613	1,653	1,927	2,134
Other current assets	723	536	554	881

	As at 30 June 2020 (RMB million)	As at 31 December 2019 (RMB million)	2018 (RMB million)	2017 (RMB million)
	11,386	11,227	9,943	9,150
Current liabilities				
Trade and other payables	3,330	3,463	2,368	2,213
Corporate bonds	1,350	1,280	1,069	26
Bank and other borrowings	2,956	1,911	1,878	1,358
Other current liabilities	713	784	724	307
	8,349	7,438	6,039	3,904
Net current assets	3,037	3,789	3,904	5,246
Non-current liabilities				
Corporate bonds	–	–	796	1,373
Bank and other borrowings	1,205	1,538	1,048	912
Lease liabilities	498	497	–	–
Deferred taxation liabilities	467	442	328	269
Non-current portion of deferred income	141	108	42	50
	2,311	2,585	2,214	2,604
Equity				
Equity attributable to the shareholders of CEOVU	6,555	6,608	6,102	6,004
Non-controlling interests	1,018	984	825	857
	7,573	7,592	6,927	6,861

Note: The above figures are subject to rounding adjustments.

The CEOVU Group had a significant property asset base consisting of investment properties, properties under development and completed properties held for sale, which amounted to RMB4,063 million, RMB2,609 million and RMB3,216 million and accounted for 22.3%, 14.3% and 17.6% of the total assets of the CEOVU Group as at 30 June 2020 respectively. As at 31 December 2019, the investment properties comprised two residential property projects and two industrial parks in Hubei province with a total gross floor area of 206,471 sq.m.. Completed properties held for sale and properties under development were mostly industrial park development projects held by the CEOVU Group for sale or under development. Contract assets of the CEOVU Group amounted to RMB1,584 million as at 30 June 2020, accounting for 8.7% of the CEOVU Group's total assets, were related to sales of certain properties and construction services provided by the CEOVU Group.

Cash and cash equivalents were RMB1,613 million as at 30 June 2020, which had dropped consistently during the Review Period from RMB2,134 million as at 31 December 2017, whilst the current ratio of the CEOVU Group dropped from 2.3 times as at 31 December 2017 to 1.4 times as at 30 June 2020. Furthermore, net current assets amounted to RMB3,037 million as at 30 June 2020, representing a decrease of RMB2,209 million from that as at 31 December 2017. Overall, there is a notable decrease in cash and cash equivalents together with a significant drop in net current assets of the CEOVU Group throughout the Review Period.

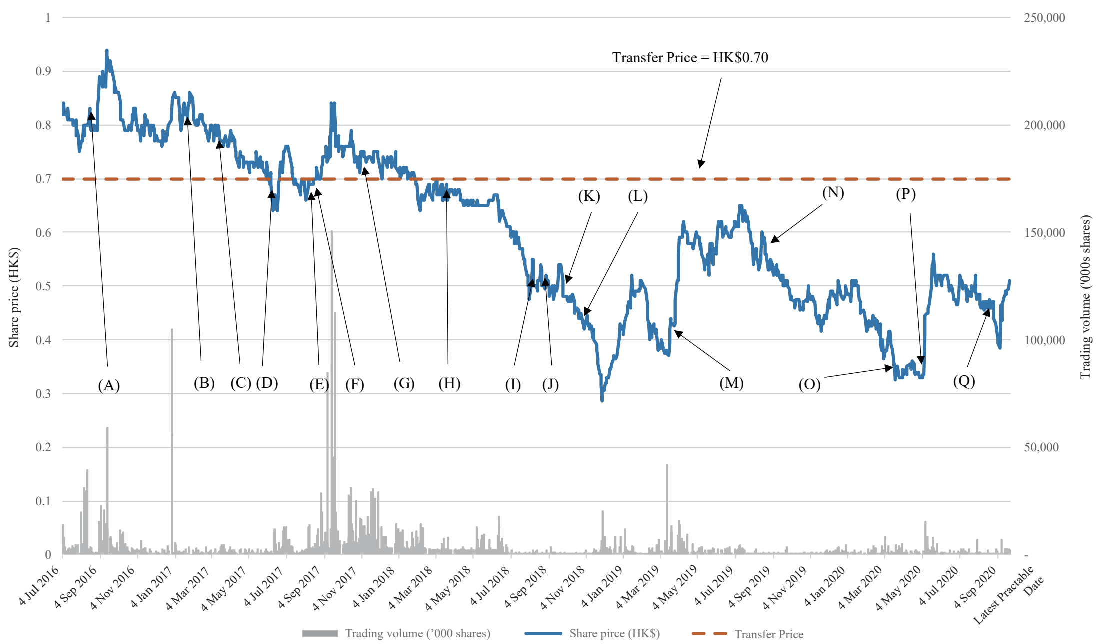
The CEOVU Group's operations had been largely financed by bank and other borrowings and corporate bonds (the "**Borrowings**") as well as shareholders' equity. The CEOVU Group issued corporate bonds in May 2019 and August 2017 with (i) maturities of 270 days and 3 years; (ii) face values of RMB500 million and RMB800 million; and (iii) annual effective interest rates of 5.83% and 6.74%, respectively. During the Review Period, the Borrowings had increased significantly from RMB3,669 million as at 31 December 2017 to RMB5,511 million as at 30 June 2020. The CEOVU Group's net gearing ratio, which is calculated as interest-bearing debt (being the sum of the Borrowings and interests payable) less total cash ("**Net Debt**") to total capital (being total equity plus the Net Debt), was 32.4% as at 30 June 2020, representing an increase of 13.3 percentage points from that as at 31 December 2017. Furthermore, the operating cash flows of the CEOVU Group were unstable in recent years. While cash inflows from operating activities of RMB278 million and RMB390 million were generated for the years ended 31 December 2017 and 2019 respectively, cash outflows used in operating activities of RMB354 million and RMB520 million were recorded for the year ended 31 December 2018 and the six months ended 30 June 2020 respectively. The increasing Borrowings and net gearing ratio as well as the irregular operating cashflow pattern indicate that the CEOVU Group's financial risk is increasing.

Equity attributable to the shareholders of CEOVU grew in general in Review Period from RMB6,004 million as at 31 December 2017 to RMB6,555 million as at 30 June 2020, representing a CAGR of 3.6%. As at 30 June 2020, the NAV attributable to shareholder of CEOVU per share of CEOVU was RMB0.88, which is calculated based on the equity attributable to the shareholders of CEOVU of RMB6,555 million as at 30 June 2020 divided by 7,574,352,000 shares of CEOVU in issue after subtracting 152,998,000 treasury shares on the same date.

5. Assessment of the consideration for the Disposal

(a) Historical share price performance of CEOVU

Set out in the chart below is the daily closing price and trading volume of the shares of CEOVU on the Stock Exchange during the period from 1 July 2016, being the date immediately after the completion of the CEOVU Acquisition, up to and including the Latest Practicable Date (the "**Share Price Review Period**").



Source: Bloomberg and the Stock Exchange website

During the Share Price Review Period, CEOVU published a number of announcements (as summarised below) that we considered to be crucial in shaping the market price of the shares of CEOVU.

	Date of announcement	Description of the announcement
(A)	18 August 2016	Announcement of interim results for the six months ended 30 June 2016
(B)	25 January 2017	Announcement of a discloseable transaction in relation to disposal of 50% equity interest in China Electronics Technology Development Co., Ltd.
(C)	23 March 2017	Announcement of annual results for the year ended 31 December 2016
(D)	14 June 2017	Voluntary announcement in relation to unusual price and trading volume movement and intention to conduct on-market share repurchase
(E)	9 August 2017	Announcement of positive profit alert
(F)	17 August 2017	Announcement of interim results for the six months ended 30 June 2017
(G)	1 November 2017	Announcement of a discloseable transaction regarding the entering into the cooperation agreement in relation to the formation of joint venture company and the establishment of fund
(H)	22 March 2018	Announcement of annual results for the year ended 31 December 2017
(I)	23 August 2018	Announcement of interim results for the six months ended 30 June 2018
(J)	31 August 2018	Announcement of a discloseable transaction in relation to acquisition of 35% equity interest of China Electronics Wenzhou Industrial Park Development Co., Ltd.
(K)	27 September 2018	Announcement of a connected transaction in relation to acquisition of 60% equity interest in Shenzhen CEC I-Valley Operation Co., Ltd.
(L)	31 October 2018	Announcement of a discloseable transaction in relation to formation of joint venture

	Date of announcement	Description of the announcement
(M)	21 March 2019	Announcement of annual results for the year ended 31 December 2018
(N)	21 August 2019	Announcement of interim results for the six months ended 30 June 2019
(O)	24 March 2020	Announcement of annual results for the year ended 31 December 2019
(P)	7 May 2020	Announcement of update on the annual results for the year ended 31 December 2019
(Q)	21 August 2020	Announcement of interim results for the six months ended 30 June 2020

During the period from 1 July 2016 to the Last Trading Day (the "**Pre-Announcement Period**"), the shares of CEOVU closed between HK$0.29 and HK$0.94, and it is noted that 66% of the time during the Pre-Announcement Period traded below the transfer price of HK$0.70 per Transfer Share (the "**Transfer Price**").

The closing share price of CEOVU saw a general downward trend at the beginning of the Pre-Announcement Period which dropped from HK$0.86 to HK$0.29 by the end of November 2018. In the mid-way along the first downward trend, share price of CEOVU only showed some signs of recovery after the publication of the positive profit alert announcement on 9 August 2017, which drove the share price of CEOVU to increase from HK$0.68 to HK$0.84 in around mid-September 2017 before the sustained drop in share price of CEOVU continued.

Since the share price of CEOVU had reached the lowest point during the Pre-Announcement Period at HK$0.29 by the end of November 2018, it rebounded and trended upwards until it reached HK$0.65 in around mid-July 2019. During the course of the aforesaid trend, CEOVU published its annual results announcement for the year ended 31 December 2018 on 21 March 2019 and the share price of CEOVU had surged significantly thereafter to HK$0.62 in around mid-April 2019.

Upon the end of the upward trend during the first half of 2019, the share price of CEOVU began to form yet another downward trend since around mid-July 2019. CEOVU published the interim results announcement for the six months ended 30 June 2019 on 21 August 2019 and the share price of CEOVU dropped further until it had reached the recent low of HK$0.33 before the share price of CEOVU started to pick up again reaching HK$0.56 in around mid-May 2020 after the publication of both the annual results announcement for the year ended 31 December 2019 and its update on 24 March 2020 and 7 May 2020 respectively. Since then, the share price of CEOVU fluctuated at around HK$0.50 until the Last Trading Day.

Out of the 1,004 trading days during the Pre-Announcement Period, 663 trading day of the shares price of CEOVU closed below or equal to the Transfer Price of HK$0.70. Moreover, the closing share price of CEOVU has not exceeded the Transfer Price of HK$0.70 since February 2018 during the Pre-Announcement Period.

(b) Historical share price performance of CEOVU and NAV per CEOVU share compared to the Transfer Price of HK$0.70

Comparisons of the Transfer Price of HK$0.70 with the recent closing prices of the shares of CEOVU and NAV per share of CEOVU are set out as follow:

	Closing price or average closing price of the shares of CEOVU or the NAV per share of CEOVU	**Premium/(Discount) of the Transfer Price of HK$0.70 per share of CEOVU over/(to) the closing price or average closing price of the shares of CEOVU or the NAV per share of CEOVU**
Last Trading Day	HK$0.495	41.4%
10 trading days *(Note 1)*	HK$0.487	43.7%
30 trading days *(Note 1)*	HK$0.491	42.6%
90 trading days *(Note 1)*	HK$0.439	59.5%
180 trading days *(Note 1)*	HK$0.445	57.3%
The Latest Practicable Date	HK$0.510	37.3%
Unaudited NAV attributable to the shareholders per share of CEOVU as at 30 June 2020 *(Note 2)*	RMB0.88 (equivalent to approximately HK$0.98)	(28.6)%

Source: Bloomberg, the Stock Exchange website and the CEOVU 2020 Interim Report

Notes:

1. Up to and including the Last Trading Day.
2. It is calculated based on the total number of issued shares of CEOVU as at 30 June 2020 of 7,574,352,000 shares after subtracting the treasury shares of CEOVU as at 30 June 2020 of 152,998,000 shares.

The Transfer Price of HK$0.70 represents a premium of about 41.4% to 59.5% over the closing share price of CEOVU on the Last Trading Day and the average closing share price of CEOVU for the 10-, 30-, 90- and 180-trading days (up to and including the Last Trading Day) before the release of the announcement in relation to the Disposal. The closing share price of CEOVU as at the Latest Practicable Date and the corresponding premium were HK$0.510 and 37.3% respectively. Lastly, the Transfer Price represents a discount of 28.6% to the NAV attributable to the shareholders of CEOVU per share as at 30 June 2020.

(c) Comparable Companies

The CEOVU Group is principally engaged in, among others, development and sales of properties, leasing of industrial park and provision of property management services in the PRC. In order to assess the fairness and reasonableness of the Consideration, we have also carried out analysis by comparing peer companies listed on the mainboard of the Stock Exchange with market capitalisation between HK$1 billion and HK$10 billion and revenue generated mainly from property development in the PRC (the "**Comparable Companies**"). Given the principal business activities and the asset-based nature of the CEOVU Group and the Comparable Companies, we opted to compare the price-to-book multiple (the "**P/B Multiple**") of the Comparable Companies against that as implied by the Consideration. For reference purpose, we also reviewed the price-to-earnings multiple (the "**P/E Multiple**") of the Comparable Companies against that as implied by the Consideration.

Based on the above criteria, we identified the Comparable Companies as set out in the table below together with their respective P/B Multiples and P/E Multiples.

Company name	**Stock code**	**Market capitalisation as at the Latest Practicable Date** *(HK$ million)*	**P/B Multiple** *(Note 1)* *(times)*	**P/E Multiple** *(Note 2)* *(times)*
Ronshine China Holdings Limited	3301	9,721	0.54	4.20
Zhuguang Holdings Group Company Limited	1176	9,569	1.45	18.74
Cosmopolitan International Holdings Limited	120	9,369	Not meaningful *(Note 3)*	Not applicable *(Note 4)*
Beijing North Star Company Limited	588	9,032	0.22	10.31
Redsun Properties Group Limited	1996	8,801	0.56	5.65
Fantasia Holdings Group Co., Limited	1777	8,654	0.58	8.98
Shui On Land Limited	272	8,143	0.19	Not applicable *(Note 4)*
Skyfame Realty (Holdings) Limited	59	7,849	1.93	9.62
Dexin China Holdings Company Limited	2019	7,834	1.29	5.59

Company name	Stock code	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B Multiple *(Note 1)* *(times)*	P/E Multiple *(Note 2)* *(times)*
Road King Infrastructure Limited	1098	7,403	0.40	2.86
Joy City Property Limited	207	6,831	0.22	7.04
Greenland Hong Kong Holdings Limited	337	6,645	0.48	2.47
China South City Holdings Limited	1668	6,312	0.18	2.40
Tian An China Investments Company Limited	28	6,078	0.26	8.77
Beijing Capital Land Ltd.	2868	5,934	0.32	2.99
Yida China Holdings Limited	3639	5,556	0.41	11.13
DaFa Properties Group Limited	6111	5,340	1.38	14.07
JY Grandmark Holdings Limited	2231	5,021	1.64	9.34
China VAST Industrial Urban Development Company Limited	6166	4,954	0.75	6.83
Guorui Properties Limited	2329	3,956	0.29	7.08
CEOVU	798	3,674	0.50	6.03
Yincheng International Holding Co., Ltd.	1902	3,545	1.23	12.97
Sunshine 100 China Holdings Ltd.	2608	3,318	0.33	2.03
Modern Land (China) Co., Limited	1107	3,214	0.45	4.32
China Sandi Holdings Limited	910	3,052	0.68	7.02
Minmetals Land Limited	230	3,012	0.36	16.47

Company name	**Stock code**	**Market capitalisation as at the Latest Practicable Date** *(HK$ million)*	**P/B Multiple** *(Note 1)* *(times)*	**P/E Multiple** *(Note 2)* *(times)*
Polytec Asset Holdings Limited	208	2,974	0.22	42.67
Sansheng Holdings (Group) Co. Ltd.	2183	2,863	1.93	8.74
Jingrui Holdings Limited	1862	2,828	0.49	2.78
HKC (Holdings) Limited	190	2,218	0.17	11.74
Guangdong-Hong Kong Greater Bay Area Holdings Limited	1396	2,178	0.37	Not applicable *(Note 4)*
International Business Settlement Holdings Limited	147	2,012	Not meaningful *(Note 3)*	Not applicable *(Note 4)*
Ground International Development Limited	989	1,971	Not meaningful *(Note 3)*	Not applicable *(Note 4)*
China New City Commercial Development Ltd.	1321	1,950	0.30	15.08
Glorious Property Holdings Limited	845	1,909	0.32	3.68
Xinming China Holdings Limited	2699	1,897	0.94	Not applicable *(Note 4)*
Lerthai Group Limited	112	1,876	0.42	Not applicable *(Note 4)*

Company name	Stock code	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B Multiple *(Note 1)* *(times)*	P/E Multiple *(Note 2)* *(times)*
TFG International Group Limited	542	1,445	Not meaningful *(Note 3)*	Not applicable *(Note 4)*
Hailan Holdings Limited	2278	1,380	0.66	42.52
Ever Reach Group (Holdings) Company Limited	3616	1,152	0.83	3.44
		Average	0.65	9.92
		Median	0.47	7.06
		Maximum	1.93	42.67
		Minimum	0.17	2.03
The Disposal		5,088 *(Note 5)*	0.71 *(Note 6)*	8.25 *(Note 7)*

Source: Bloomberg, financial statements of the respective Comparable Companies

Notes:

1. The P/B Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date (except for CEOVU, which is based on the market capitalisation as at the Last Trading Day and adjusted for the 152.998 million treasury shares repurchased by CEOVU) divided by the NAV attributable to the shareholders of the corresponding Comparable Companies as shown in the latest published financial statements.

2. The P/E Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date (except for CEOVU, which is based on the market capitalisation as at the Last Trading Day and adjusted for the 152,998,000 treasury shares repurchased by CEOVU) divided by the earnings of the respective Comparable Companies for the trailing 12 months based on the latest financial statements.

3. Comparable Companies with P/B Multiples greater than or equal to 2.00 times or less than zero are rendered not meaningful as they are deemed as outliers and are excluded from the above analysis.

4. Since the respective Comparable Companies recorded losses attributable to their shareholders during the trailing 12 months, their P/E Multiples are not applicable.

5. The implied market capitalisation of CEOVU is calculated based on the Transfer Price of HK$0.70 multiplies by the total issued shares of CEOVU of 7,574,352,000 shares less the 152,998,000 treasury shares repurchased by CEOVU.

6. The implied P/B Multiple of the Disposal of 0.71 times is calculated based on the Transfer Price of HK$0.70 divided by the NAV attributable to the shareholders of CEOVU per share as at 30 June 2020 of RMB0.88 (equivalent to approximately HK$0.98), which is calculated by dividing the NAV attributable to the shareholders of CEOVU of RMB6,555 million as at 30 June 2020 by the net number of shares of CEOVU of 7,421,354,000 in issue (being the total issued shares of CEOVU of 7,574,352,000 shares less the 152,998,000 treasury shares repurchased by CEOVU).

7. The implied P/E Multiple of the Disposal of 8.25 times is calculated based on the Transfer Price of HK$0.70 divided by the earnings per share of CEOVU for the trailing 12 months based on the CEOVU 2019 Annual Report and the CEOVU 2020 Interim Report and the net number of shares of CEOVU of 7,421,354,000 in issue (being the total issued shares of CEOVU of 7,574,352,000 shares less the 152,998,000 treasury shares repurchased by CEOVU).

As set out in the table above, the P/B Multiples of the Comparable Companies ranged from 0.17 times to 1.93 times and have an average and a median of 0.65 times and 0.47 times respectively. The implied P/B Multiple of the Disposal of 0.71 times is higher than the average and the median of the P/B Multiples of the Comparable Companies and is within range of that of the Comparable Companies.

As set out in the table above, for reference purpose only, the P/E Multiples of the Comparable Companies ranged from 2.03 times to 42.67 times and have an average and a median of 9.92 times and 7.06 times respectively. The implied P/E Multiple of the Disposal of 8.25 times is slightly lower than the average but it is higher than the median of the P/E Multiples of the Comparable Companies and is within range of that of the Comparable Companies.

(d) The reference value of the land and/or properties of the CEOVU Group

(i) Information on APA

For reference purpose only, the Company engaged APA, an independent property valuer, to conduct a calculation of the reference value of land and/or properties held by the CEOVU Group (the "**Calculation**"). The full text of the property calculation report (the "**Property Calculation Report**") of the land and/or properties of the CEOVU Group as at 30 June 2020 (the "**Calculation Date**") is set out in appendix V to the Circular.

We have reviewed the Property Calculation Report and certain Calculation workings of APA and interviewed the relevant staff of APA with particular attention to: (i) APA's terms of engagement with the Company; (ii) APA's qualification and experience in relation to the preparation of the Calculation; and (iii) the steps and due diligence measures taken by APA in performing the Calculation.

In our review of the engagement letter between the Company and APA, we are satisfied that the terms of engagement between the Company and APA are appropriate to the opinion APA is required to give. APA has confirmed that it is independent from the Group, the CEOVU Group and CEC and their respective core connected persons, close associates and associates. We further understand that APA is certified with the relevant professional qualifications required to perform the Calculation and the person-in-charge of the Calculation has over 20 years of experience in conducting valuation of properties in the PRC. We noted that APA mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the management of the Group and the CEOVU Group. APA also performed site inspections on all the lands and/or properties included in the Property Calculation Report.

(ii) Calculation methodology

In arriving at its opinion of reference value, we noted that in performing the calculation for the properties interests of the CEOVU Group, APA has categorised the various groups of properties of the CEOVU Group and adopted the following methodologies to each of the groups (details of the properties under each group of properties held by the CEOVU Group can be found in the Property Calculation Report):

(a) For the completed properties held for owner occupation or for sale by the CEOVU Group in the PRC (i.e. Group I as set out in the Property Calculation Report), APA adopted the comparison approach assuming sale of property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market (the "**Comparison Approach**").

(b) For completed properties held by the CEOVU Group for investment (i.e. Group II as set out in the Property Calculation Report), APA adopted income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate (the "**Income Approach**"). Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

(c) For property interests that are currently under development and held for future development (i.e. Groups III and IV as set out in the Property Calculation Report), APA has assumed that they will be developed and completed in accordance with the latest development proposals provided to APA by the CEOVU Group. In arriving at its opinion of reference values, APA has adopted the Comparison Approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the information on accrued construction costs and professional fees provided by the CEOVU Group according to the different stages of construction of the properties as at the Calculation Date.

We have discussed with APA about the rationale of adopting the abovementioned methodologies in calculating the land and/or properties of the CEOVU Group. According to APA, the Comparison Approach is widely accepted as the market transactions are the best indicator and assumed that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors such as location, time, size, age and maintenance standard. For assessing the reference value of the properties held by the CEOVU Group for investment, APA considered the Income Approach to be most appropriate calculation method, having regard to the income driven nature of these properties.

After considering the reasons for APA's choice of adopting the methodologies for calculating the land and/or properties of the CEOVU Group and the current status of each category of the land and/or properties of the CEOVU Group, we are of the opinion that the methodologies used are reasonable and acceptable in establishing the reference values of the land and/or properties of the CEOVU Group as at the Calculation Date.

(iii) Calculation bases and assumptions

In arriving at its opinion of reference value of the completed properties (i.e. Group I as set out in the Property Calculation Report) under the Comparison Approach, APA generally starts the process by collecting and analysing the recent transactions of the market comparables located in the vicinity of the corresponding properties. In particular, APA selected market comparable transactions that (i) were located in the same district or, if not available, nearby districts; and (ii) were conducted during the month of the Calculation Date, or if not available, as close as the Calculation Date. The collected comparables were then adjusted to reflect the difference between the comparables and the corresponding properties in terms of, among others, location, time, size, age and maintenance standard. We have reviewed and discussed about APA's workings on the selection of the market comparables and the relevant adjustments made. We are of the view that the basis of selection of market comparables and the adjustments, including various factors (i.e. date of transaction, location, time, size, age and maintenance standard) taken into account, made for reflecting the difference between the selected comparables and the corresponding properties are reasonable and relevant for the purpose of establishing the reference value of the land and/or properties of the CEOVU Group under the Comparison Approach. The reference value of the land and/or properties of the CEOVU Group after applying the Comparison Approach was then derived from the estimated average unit price per gross floor area and gross floor area of the corresponding properties.

In arriving at the opinion of the reference value of the completed properties held for investment (i.e. Group II as set out in the Property Calculation Report) under the Income Approach, the income stream adopted was based on the existing unexpired contractual tenancies of the properties, whilst vacant units are assumed to be let at their respective market rents as at the Calculation Date. Upon expiry of the existing tenancies, each unit was assumed to be let at its market rents as at the Calculation Date. APA then applied a capitalisation rate which is based on the yields achieved in market rent transactions and market sales transactions. The Comparison Approach was also used to support the appraised reference value for the completed properties held for investment in Group II as set out in the Property Calculation Report.

In arriving at the opinion of the reference value of the properties currently under development (i.e. Groups III and IV as set out in the Property Calculation Report), APA adopted the Comparison Approach and took into account the accrued construction costs and professional fees relevant to the stage of construction as at the Calculation Date and the remainder of the costs and fees expected to be incurred for completing the development. APA obtained the budgeted construction costs and related professional fees associated with the respective properties from the CEOVU Group and performed cross-checking with the construction costs and related professional fees of properties in similar stage of construction from APA's proprietary data base. APA did not find any material inconsistency between the construction costs provided by the CEOVU Group and those of other similar developments.

Taking into account the above, we consider that the bases and assumptions adopted by APA for the methodologies discussed above are reasonable.

Based on the Property Calculation Report, the total reference value of the land and/or properties attributable to the CEOVU Group as at the Calculation Date was approximately RMB11,539.5 million (equivalent to approximately HK$12,821.6 million).

6. Financial effects of the Disposal on the Group

As at 30 June 2020, the carrying value of the Group's investment in the Transfer Shares in the Group's consolidated statement of financial position was HK$2,615.9 million, which is currently being equity accounted for as an associate company of the Group. Following the Completion, CEOVU will cease to be an associate company of the Group. We set out below the analysis on the financial effects of the Disposal on the Group with reference to the Pro Forma Financial Information as set out in appendix III to the Circular, which has been prepared for illustrative purposes based on the assumptions as set out therein.

(a) Earnings

As set out in the Pro Forma Financial Information, on the assumption that the Disposal had taken place on 1 January 2019, the Group would have incurred an estimated one-off loss on the Disposal of HK$908.6 million, which is calculated based on (i) the Consideration of HK$1,785.0 million; (ii) the carrying value of the Transfer Shares as at 1 January 2019 of HK$2,695.5 million; (iii) the release of accumulated translation reserve as at 1 January 2019 of HK$7.9 million, which is reclassified to profit or loss upon the Completion; and (iv) the estimated transaction costs in relation to the Disposal of HK$6.0 million (the "**Disposal Expense**").

Furthermore, upon the Completion, the Company will no longer have any interest in CEOVU. CEOVU will cease to be an associate company of the Group and the financial results of the CEOVU Group will no longer be shared in the consolidated statement of profit or loss of the Group. For the year ended 31 December 2019, the profit of the Group was HK$157.6 million and the results of the CEOVU Group shared by the Group was HK$120.2 million.

On the assumption that the Disposal had taken place on 1 January 2019, the profit attributable to the Shareholders of HK$155.2 million for the year ended 31 December 2019 would have become a loss attributable to the Shareholders of HK$873.6 million. Having said the above, save for the absence of the share of result from the CEOVU Group, the adverse impact on the Group's profitability as shown in the Pro Forma Financial Information is only due to the Disposal, which is a one-off in nature. Moreover, as mentioned in the section headed "2. Reasons for and benefits of the Disposal", the Company intends to use all the net proceeds from the Disposal for the repayment of its short-term bank borrowings and this will reduce the interest expenses of the Group.

Shareholders are reminded that the actual loss to be recognised following the Completion shall be determined with reference to various factors such as the net assets of the CEOVU Group attributable to the Group and the accumulated translation reserve following the Completion, which may be different from the abovementioned amounts.

(b) NAV

Upon the Completion, the Group will no longer have any interest in CEOVU and CEOVU will cease to be an associate company of the Group. As 30 June 2020, the NAV of the Group attributable to the Shareholders was HK$2,016.6 million and the carrying value of the Group's investment in the Transfer Shares in the Group's consolidated statement of financial position was HK$2,615.9 million.

As set out in the Pro Forma Financial Information, on the assumption that completion of the Disposal had taken place on 30 June 2020, the NAV attributable to the Shareholders of HK$2,016.6 million would have reduced by HK$836.9 million to HK$1,179.7 million as at 30 June 2020 after taking into account (i) the Consideration of HK$1,785.0 million; (ii) carrying amount of the Transfer Shares of HK$2,615.9 million as at 30 June 2020; and (iii) the Disposal Expense of HK$6.0 million.

(c) Gearing

As at 30 June 2020, the Group had a gearing ratio of 43.5%, which is calculated as net debt (being bank and other borrowings less short-term deposits, restricted cash and cash and cash equivalents (together, the "**Total Cash**")) divided by the sum of total equity and net debt of the Group. As set out in the Pro Forma Financial Information, on the assumption that the Completion had taken place on 30 June 2020, the Group would have received the Net Proceeds of HK$1,779.0 million (being the Consideration less the Disposal Expense) and the Total Cash would have become HK$2,518.1 million. As such, having taken into consideration of the Group's bank and other borrowings of HK$2,309.4 million as at 30 June 2020, the Group would have become a net cash position and, hence, the gearing ratio would have been not applicable.

(d) Liquidity

As set out in the Pro Forma Financial Information, on the assumption that Completion had taken place on 30 June 2020, the Group would have received the Net Proceeds of HK$1,779.0 million and the Total Cash would have increased from HK$739.1 million to HK$2,518.1 million. Furthermore, the Group's net current liabilities of HK$769.9 million as at 30 June 2020 would have become net current assets of HK$1,009.1 million. Similarly, the current ratio as at 30 June 2020 would have improved notably from 0.75 times to 1.33 times. As a result of the aforesaid, the Disposal would have significantly improved the liquidity position of the Group.

DISCUSSION AND ANALYSIS

The Group is principally engaged in the business of design and sale of integrated circuit chips. The Company is a leader of the security smart card chips industry in the PRC. The Group's products are mainly used in sectors of identity authentication, financial payment, government utilities as well as telecommunication. The Group completed the acquisition of the 33.67% interest in CEOVU in 2016 and it is one of the major investments of the Group. The principal activities of the CEOVU Group mainly include (i) rental and sales of industrial parks; (ii) industrial park operation services; and (iii) industrial investment. The investment in CEOVU held by the Group is classified as an investment in associates in the financial statements of the Group and the results and assets and liabilities of the CEOVU Group have been accounted for in the financial statements of the Group under equity method of accounting. Given that the respective principal activities of the CEOVU Group and the Group are different and the synergetic effect between them is limited, the disposal of CEOVU is not expected to significantly affect the Group's principal operations.

The financial performance of the CEOVU Group has not been satisfactory in recent years. While there were growths in the top-line, the revenue of sales of industrial parks, being the key business activity of the CEOVU Group with the highest gross profit margin among its business segments, has been decreasing in terms of both the amount and the relative percentage to total revenue. Furthermore, the core profits of the CEOVU Group, being the reported net profits less the Excluded Items which are one-off and/or non-operating in nature, would amount to RMB261 million, RMB310 million and RMB163 million for the years ended 31 December 2017, 2018 and 2019 respectively and represented an overall downward trend. Similarly, the reported net profits of the CEOVU Group would become core losses of RMB26 million and RMB44 million for the six months ended 30 June 2019 and 2020 respectively if the Excluded Items were taken out. Overall, the core financial performance of the CEOVU Group was worse than the reported figures. Furthermore, the financial risk of the CEOVU Group is increasing as evidenced by the dwindling cash and net current assets as well as rising borrowings and gearing.

While the CEOVU Group has contributed a considerable amount of profit to the Group in recent years, the cash contribution (i.e. the dividends) of CEOVU has only able to cover part of the associated financing costs. The acquisition of the Transfer Shares in 2016 has been substantially financed by borrowings and the relevant interest payment was more than the dividend from CEOVU. Therefore, the interest payment has put significant pressure on the Group's cashflow and drained the cash generated from operations in recent years. It also restricted the cash available for operations and development of the Group's principal activities. It is the intention of the Board to repay a substantial portion of the short-term bank borrowings by the proceeds arising out of disposing of the Transfer Shares held by the Group, which will significantly reduce interest payments in the future and improve the Group's gearing ratio and net current liability position. The Disposal will also provide the Group with capital capability to support its business development and allow the Group to focus its resources on its core business areas.

The Consideration was agreed between the Seller and the Purchaser after arm's length negotiations and having taken into account a number of factors including the historical business performance, financial position and net asset value of the CEOVU Group, the prevailing market price of the Transfer Share. The Consideration is HK$1,785.0 million, which is equivalent to HK$0.70 for each Transfer Share. The share price of CEOVU, since completion of the acquisition of the Transfer Shares in June 2016, has followed a downward trend in general and has been remained below the Transfer Price for over two years since early 2018. The Transfer Price of HK$0.70 represents significant premiums of over 40% over the closing share price of CEOVU in recent months.

Although the Transfer Price is at a discount to the NAV per CEOVU share, it represents an implied P/B Multiple of 0.71 times, which is higher than the average and the median of the P/B Multiples of the Comparable Companies of 0.65 times and 0.47 times respectively. For reference purpose only, the implied P/E Multiple of the Disposal of 8.25 times is slightly lower than the average but it is higher than the median of the P/E Multiples of the Comparable Companies of 9.92 times and 7.06 times respectively. Given the principal business activities of the CEOVU Group, which are largely assets-based in nature, the P/B Multiple is considered a more relevant and an appropriate parameter for assessing the Consideration.

The financial effects of the Disposal on the Group are expected to be mixed. On one hand, it is anticipated that both the gearing and working capital of the Remaining Group will improve upon the Completion as the consideration for the Disposal will be entirely satisfied in cash. The Remaining Group will change from a net debt position to a net cash position and from net current liabilities to net current assets. Similarly, current ratio will improve notably. On the other hand, both the earnings and the NAV attributable to the Shareholders are expected to decrease mainly as a result of the loss on the Disposal. Having considered the loss on the Disposal is one-off in nature and does not have a continuing effect to the Group and the terms of the Disposal and other factors as discussed in this letter, we consider the anticipated decreases in the earnings and the NAV attributable to the Shareholders are acceptable.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Disposal, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to approve the relevant resolution to be proposed at the SGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019 AND THE SIX MONTHS ENDED 30 JUNE 2020

Financial information of the Group for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 is disclosed on pages 85 to 175 of the annual report of the Company for the year ended 31 December 2017 published on 26 April 2018, pages 86 to 183 of the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019, pages 58 to 147 of the annual report of the Company for the year ended 31 December 2019 published on 15 May 2020, and pages 4 to 26 of the interim report of the Company for the six months ended 30 June 2020 published on 16 September 2020 respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cecht.com.cn).

The links to the annual reports of the Company for each of the years ended 31 December 2017, 2018 and 2019, and the interim report of the Company for the six months ended 30 June 2020 respectively, are set out below:

2017:
http://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn201804262086.pdf

2018:
http://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429619.pdf

2019:
http://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051500514.pdf

2020:
http://www1.hkexnews.hk/listedco/listconews/sehk/2020/0916/2020091600772.pdf

INDEBTEDNESS

Borrowings

At 31 July 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the date of this circular, the Group had outstanding bank and other borrowings of HK$2,340.6 million. Among these borrowings, HK$54.9 million were secured by deposits of the Group and HK$2,285.7 million were unsecured.

Lease liabilities

At 31 July 2020, the Group has lease liabilities of HK$65.6 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, mortgages, charges, debentures, lease liabilities, obligations under hire purchase contracts or guarantees or other material contingent liabilities at 31 July 2020.

GEARING RATIO

As at 30 June 2020, the gearing ratio of the Group (calculated as net debt divided by total equity and net debt of the Group) was 43.5%. As set out in Appendix III to this circular, assuming 30 June 2020 is the date of the Completion, the Remaining Group will be in a net cash position and gearing ratio is not applicable.

WORKING CAPITAL

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

FINANCIAL AND TRADING PROSPECTS

Looking ahead, due to the impact of the global COVID-19 pandemic, there is uncertainty in the market demand for the domestic smart card chips in the second half of the year, and the market demand may continue to lag behind depending on the development of the pandemic. However, certain sectors of the smart card chips market will continue to be driven by the further application of the domestic-made substitutes and the state cryptographic algorithm, while 5G and Internet of Things will become the key development directions of new infrastructure which will increase demand for higher information security. The Group believes that both factors will bring market opportunities for the Group's businesses. The Group will continue to closely track the domestic market demands, actively explore potential customers, strengthen the establishment of sales channels and continue to expand the security chips market, and strive to provide diversified and high-quality products that meet the needs of customers and the market.

Set out below are the financial information of the CEOVU Group which comprises (i) the consolidated statements of financial position of the CEOVU Group as at 31 December 2017, 2018 and 2019, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the CEOVU Group for each of the years ended 31 December 2017, 2018 and 2019 which were extracted from the annual reports of CEOVU for the years ended 31 December 2017, 2018 and 2019, respectively, and (ii) the consolidated statement of financial position of the CEOVU Group as at 30 June 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the CEOVU Group for the six months ended 30 June 2020 which were extracted from the interim report of CEOVU for the six months ended 30 June 2020. In the opinions of the independent auditor of CEOVU as stated in the respective annual reports of CEOVU, the consolidated financial statements for each of the years ended 31 December 2017, 2018 and 2019 give a true and fair view of the consolidated financial positions of the CEOVU Group as at 31 December 2017, 2018 and 2019, and its consolidated financial performances and consolidated cash flows for each of the years then ended.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended 31 December			For the six months ended 30 June
	2017	**2018**	**2019**	**2020**
	(Audited)	**(Audited)**	**(Audited)**	**(Unaudited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	2,692,899	3,001,137	3,376,865	923,241
Cost of sales	(1,705,765)	(1,965,066)	(2,301,582)	(681,240)
Gross profit	987,134	1,036,071	1,075,283	242,001
Other income and (losses)/gains – net	(22,271)	223,890	275,181	28,723
Selling and distribution expenses	(81,311)	(86,107)	(116,908)	(46,802)
Administrative expenses	(258,376)	(295,294)	(335,194)	(140,030)
Other expenses	–	–	–	(767)
Net impairment losses on financial and contract assets	–	(3,480)	(23,903)	(9,179)
Fair value gains on investment properties	246,581	57,411	155,677	117,677
Operating profit	871,757	932,491	1,030,136	191,623
Finance income	50,187	67,680	101,538	23,996
Finance costs	(117,691)	(177,591)	(262,710)	(87,094)
Net finance costs	(67,504)	(109,911)	(161,172)	(63,098)
Share of profits of associates	22,436	64,336	45,297	544
Share of profits of joint ventures	2,813	16,777	42,474	39,302
Profit before income tax	829,502	903,693	956,735	168,371
Income tax expense	(343,815)	(312,777)	(362,552)	(65,417)
Profit for the year/period	485,687	590,916	594,183	102,954
Profit for the year/period attributable to:				
– Owners of CEOVU	446,260	541,486	569,272	120,104
– Non-controlling interests	39,427	49,430	24,911	(17,150)
Profit for the year/period	485,687	590,916	594,183	102,954

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	(Audited)	(Audited)	(Audited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	485,687	590,916	594,183	102,954
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
– Revaluation of property, plant and equipment upon transfer to investment properties, net of tax	2,918	14,878	–	–
Items that may be reclassified to profit or loss:				
– Currency translation differences	176,864	(177,136)	5,648	(1,046)
Other comprehensive income for the year/period, net of tax	179,782	(162,258)	5,648	(1,046)
Total comprehensive income for the year/period	665,469	428,658	599,831	101,908
Total comprehensive income for the year/period is attributable to:				
Owners of CEOVU	626,042	379,228	574,920	119,058
Non-controlling interests	39,427	49,430	24,911	(17,150)
Total comprehensive income for the year/period	665,469	428,658	599,831	101,908

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 31 December			At 30 June
	2017	2018	2019	2020
	(Audited)	(Audited)	(Audited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	354,267	454,026	440,962	441,219
Right-of-use assets	–	–	73,850	69,742
Investment properties	2,317,890	2,566,060	3,651,261	4,063,064
Land use rights	3,464	3,394	–	–
Intangible assets	6,297	6,475	35,834	36,389
Investments in associates	1,267,909	1,517,876	1,554,483	1,554,879
Investments in joint ventures	143,431	190,117	182,591	221,893
Financial assets at fair value through profit or loss	–	235,127	307,926	307,926
Available-for-sale financial assets	12,000	–	–	–
Trade and other receivables	75,833	231,581	82,367	75,666
Deferred income tax assets	37,515	32,714	59,396	76,294
	4,218,606	5,237,370	6,388,670	6,847,072
Current assets				
Properties under development	1,969,272	2,356,821	2,508,986	2,608,505
Completed properties held for sale	2,296,780	2,399,282	3,066,529	3,215,505
Inventories and contracting work-in-progress	308,844	72,832	70,020	74,576
Trade and other receivables	1,868,990	1,921,211	1,857,070	1,640,991
Current income tax assets	11,132	15,406	–	36,567
Financial assets at fair value through profit or loss	–	30,500	75,000	134,800
Available-for-sale financial assets	180,000	–	–	–
Contract assets	–	785,452	1,605,396	1,584,366
Deposits in banks with original maturities over three months	72,228	15,637	41,226	141,762
Restricted cash	308,628	418,883	349,146	336,006
Cash and cash equivalents	2,133,597	1,927,200	1,653,463	1,613,059
	9,149,471	9,943,224	11,226,836	11,386,137
Current liabilities				
Contract liabilities	–	366,293	337,243	155,869
Trade and other payables	2,213,237	2,368,346	3,462,790	3,329,772
Corporate bonds	26,368	1,069,185	1,280,239	1,349,643
Bank and other borrowings	1,357,880	1,878,085	1,911,461	2,955,724
Lease liabilities	–	–	69,692	69,073
Dividends payable	–	–	–	172,500
Current income tax liabilities	300,614	352,261	364,928	300,332
Current portion of deferred income	5,565	4,706	11,944	15,748
	3,903,664	6,038,876	7,438,297	8,348,661
Net current assets	5,245,807	3,904,348	3,788,539	3,037,476
Total assets less current liabilities	9,464,413	9,141,718	10,177,209	9,884,548

	At 31 December			At 30 June
	2017	**2018**	**2019**	**2020**
	(Audited)	**(Audited)**	**(Audited)**	**(Unaudited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Corporate bonds	1,372,780	795,739	–	–
Bank and other borrowings	911,623	1,048,543	1,538,039	1,205,049
Lease liabilities	–	–	496,976	497,821
Deferred income tax liabilities	269,184	327,645	442,412	466,789
Non-current portion of deferred income	50,081	42,355	107,491	141,736
	2,603,668	2,214,282	2,584,918	2,311,395
Net assets	6,860,745	6,927,436	7,592,291	7,573,153
Equity				
Share capital	634,716	626,839	623,048	623,048
Treasury shares	(122,469)	(132,417)	(121,056)	(121,056)
Reserves	3,390,702	3,051,428	2,897,733	2,896,687
Retained earnings	2,100,562	2,556,537	3,208,519	3,156,123
Total equity attributable to owners of CEOVU	6,003,511	6,102,387	6,608,244	6,554,802
Non-controlling interests	857,234	825,049	984,047	1,018,351
Total equity	6,860,745	6,927,436	7,592,291	7,573,153
Total equity and non-current liabilities	9,464,413	9,141,718	10,177,209	9,884,548

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Audited											
	Attributable to owners of CEOVU											
	Share capital	Treasury shares	Share premium	Exchange reserve	Property revaluation reserve	Statutory reserve	Other reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	658,680	(110,105)	2,497,414	35,941	31,976	299,616	583,955	3,448,902	1,693,875	5,691,352	391,564	6,082,916
Total comprehensive income for the year	–	–	–	176,864	2,918	–	–	179,782	446,260	626,042	39,427	665,469
Transactions with owners, recognised directly in equity												
Appropriation to statutory reserve	–	–	–	–	–	39,573	–	39,573	(39,573)	–	–	–
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	–	53,130	53,130
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	143,777	143,777
Transaction with non-controlling interests	–	–	–	–	–	–	18,934	18,934	–	18,934	234,236	253,170
Dividends	–	–	(143,122)	–	–	–	–	(143,122)	–	(143,122)	(4,900)	(148,022)
Repurchase of shares	–	(189,695)	–	–	–	–	–	–	–	(189,695)	–	(189,695)
Cancellation of shares	(23,964)	177,331	(153,367)	–	–	–	–	(153,367)	–	–	–	–
Total transactions with owners, recognised directly in equity	(23,964)	(12,364)	(296,489)	–	–	39,573	18,934	(237,982)	(39,573)	(313,883)	426,243	112,360
Balance at 31 December 2017	634,716	(122,469)	2,200,925	212,805	34,894	339,189	602,889	3,390,702	2,100,562	6,003,511	857,234	6,860,745

	Audited Attributable to owners of CEOVU											
	Share capital	Treasury shares	Share premium	Exchange reserve	Property revaluation reserve	Statutory reserve	Other reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2018 as original presented	634,716	(122,469)	2,200,925	212,805	34,894	339,189	602,889	3,390,702	2,100,562	6,003,511	857,234	6,860,745
Adjustment of adoption of IFRS9, net of tax	–	–	–	–	–	–	–	–	(47,147)	(47,147)	(2,631)	(49,778)
Adjustment of adoption of IFRS15, net of tax	–	–	–	–	–	–	–	–	7,335	7,335	2,295	9,630
Restated total equity as at 1 January 2018	634,716	(122,469)	2,200,925	212,805	34,894	339,189	602,889	3,390,702	2,060,750	5,963,699	856,898	6,820,597
Total comprehensive income for the year	–	–	–	(177,136)	14,878	–	–	(162,258)	541,486	379,228	49,430	428,658
Transactions with owners, recognised directly in equity												
Appropriation to statutory reserve	–	–	–	–	–	45,699	–	45,699	(45,699)	–	–	–
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	–	40,789	40,789
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	68,496	68,496
Partially capital reduction from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	(3,022)	(3,022)
Transaction with non-controlling interests	–	–	–	–	–	–	(53,074)	(53,074)	–	(53,074)	(180,426)	(233,500)
Dividends	–	–	(129,370)	–	–	–	–	(129,370)	–	(129,370)	(7,200)	(136,570)
Repurchase of shares	–	(54,828)	–	–	–	–	–	–	–	(54,828)	–	(54,828)
Cancellation of shares	(7,877)	44,880	(37,003)	–	–	–	–	(37,003)	–	–	–	–
Disposal of certain subsidiaries	–	–	–	–	–	(432)	(2,836)	(3,268)	–	(3,268)	84	(3,184)
Total transactions with owners, recognised directly in equity	(7,877)	(9,948)	(166,373)	–	–	45,267	(55,910)	(177,016)	(45,699)	(240,540)	(81,279)	(321,819)
Balance at 31 December 2018	626,839	(132,417)	2,034,552	35,669	49,772	384,456	546,979	3,051,428	2,556,537	6,102,387	825,049	6,927,436

	Audited											
	Attributable to owners of CEOVU											
	Share capital	Treasury shares	Share premium	Exchange reserve	Property revaluation reserve	Statutory reserve	Other reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019 as original presented	626,839	(132,417)	2,034,552	35,669	49,772	384,456	546,979	3,051,428	2,556,537	6,102,387	825,049	6,927,436
Adjustment of adoption of IFRS 16, net of tax	–	–	–	–	–	–	–	–	111,686	111,686	21,948	133,634
Restated total equity as at 1 January 2019	626,839	(132,417)	2,034,552	35,669	49,772	384,456	546,979	3,051,428	2,668,223	6,214,073	846,997	7,061,070
Total comprehensive income for the year	–	–	–	5,648	–	–	–	5,648	569,272	574,920	24,911	599,831
Transactions with owners, recognised directly in equity												
Appropriation to statutory reserve	–	–	–	–	–	28,976	–	28,976	(28,976)	–	–	–
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	–	50,000	50,000
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	69,058	69,058
Transaction with non-controlling interests	–	–	–	–	–	–	(8,079)	(8,079)	–	(8,079)	(1,721)	(9,800)
Dividends	–	–	(166,640)	–	–	–	–	(166,640)	–	(166,640)	(3,290)	(169,930)
Repurchase of shares	–	(4,400)	–	–	–	–	–	–	–	(4,400)	–	(4,400)
Cancellation of shares	(3,791)	15,761	(11,970)	–	–	–	–	(11,970)	–	–	–	–
Liquidation of subsidiaries	–	–	–	–	–	–	(1,630)	(1,630)	–	(1,630)	(1,908)	(3,538)
Total transactions with owners, recognised directly in equity	(3,791)	11,361	(178,610)	–	–	28,976	(9,709)	(159,343)	(28,976)	(180,749)	112,139	(68,610)
Balance at 31 December 2019	623,048	(121,056)	1,855,942	41,317	49,772	413,432	537,270	2,897,733	3,208,519	6,608,244	984,047	7,592,291

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	(Audited)	(Audited)	(Audited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from/(used in) operations *(Note (a))*	558,249	(155,570)	662,801	(363,175)
Income tax paid	(280,136)	(198,568)	(273,099)	(156,695)
Cash flows generated from/(used in) operating activities	278,113	(354,138)	389,702	(519,870)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash (paid)/received	(34,632)	34,066	22,324	–
Proceeds from disposal of subsidiaries, net of cash received	84,793	7,466	81,654	–
Interest received	51,332	74,103	101,538	23,313
Proceeds from disposal of investment properties	81,767	103,420	157,168	–
Proceeds from disposal of property, plant and equipment	19,753	811	7,492	3,953
Proceeds from disposal of financial assets at fair value through profit or loss	6,000	695,420	97,501	481,550
Purchase of financial assets at fair value through profit or loss	(182,000)	(545,921)	(132,643)	(541,350)
Investments in associates	(279,083)	(289,744)	(99,545)	–
Investments in joint ventures	(103,888)	(364,018)	–	–
Dividends received	–	44,903	20,000	–
Proceeds from disposal of an associate	–	–	45,460	44,000
Proceeds from de-registration of an associate	–	–	–	260
Proceeds from disposal of joint ventures	40,000	–	–	–
Proceeds from disposal of certain equity interests	–	7,200	–	–
Proceeds from capital deduction from a joint venture	–	29,346	–	–
Withdraw of prepayments for acquisition of certain equity interests	70,000	–	–	–
Withdraw of prepayment for acquisition of certain properties	44,000	–	–	–
Purchase of property, plant and equipment	(16,202)	(69,719)	(76,976)	(48,293)
Purchase of investment properties	(20,028)	(95,869)	(275,957)	–
Proceeds from disposal of prepayments for acquisition of certain equity interests	–	81,628	–	–
Prepayments for acquisition of certain equity interests	–	(600)	–	–
Prepayments for acquisition of certain properties	(58,300)	(67,895)	–	–
Purchase of intangible assets	(802)	(1,323)	(31,285)	(2,611)
Proceeds used in construction of investment properties	–	–	–	(56,832)
(Increase)/decrease in deposits in banks with original maturities over three months	(72,228)	56,591	(25,589)	–
Loans to related parties and third parties	(493,159)	(1,048,557)	(160,422)	(263,429)
Loans repaid from related parties and third parties	289,800	645,823	306,731	345,392
(Increase)/decrease in restricted cash	(5,010)	5,010	–	–
Cash flows (used in)/generated from investing activities	(577,887)	(697,859)	37,451	(14,047)

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	(Audited)	(Audited)	(Audited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Proceeds from bank and other borrowings	1,959,683	2,554,380	2,562,700	1,772,400
Proceeds from issue of corporate bonds	792,445	440,000	450,000	500,000
(Increase)/decrease in restricted cash	(87,009)	33,553	(85,689)	(30,551)
Repayment of corporate bonds	–	–	(1,100,000)	(450,000)
Repayment of bank and other borrowings	(2,191,736)	(1,907,940)	(2,045,021)	(1,065,810)
Increase in deposits in banks with original maturities over three months	–	–	–	(100,536)
Proceeds from loans due to related parties and third parties	513,669	365,295	–	–
Repayment of loans due to related parties and third parties	(206,000)	(80,501)	–	(40,000)
Payments for repurchase of shares	(189,695)	(54,828)	(4,400)	–
Interest paid	(187,631)	(218,424)	(335,101)	(108,454)
Dividends paid to the owners of CEOVU	(143,122)	(129,370)	(166,640)	–
Dividends paid to non-controlling interests	(4,900)	(7,200)	(3,290)	–
Capital injection by non-controlling interests	145,217	68,496	69,058	55,054
Consideration paid for acquisition further equity interests in subsidiaries from non-controlling interests	(98,270)	(233,500)	(9,800)	–
Proceeds from partially disposal of a subsidiary without change of control	350,000	–	–	–
Partial capital reduction by non-controlling interests	–	(3,022)	–	–
Principal elements of lease payments	–	–	(39,396)	(37,305)
Cash flows generated from/(used in) financing activities	652,651	826,939	(707,579)	494,798
Net increase/(decrease) in cash and cash equivalents	352,877	(225,058)	(280,426)	(39,119)
Cash and cash equivalents at beginning of the year/period	1,812,583	2,133,597	1,927,200	1,653,463
Effect of foreign exchange rate changes	(31,863)	18,661	6,689	(1,285)
Cash and cash equivalents at end of the year/period	2,133,597	1,927,200	1,653,463	1,613,059

Note (a):

Cash generated from/(used in) operations

	For the year ended 31 December		
	2017	**2018**	**2019**
	(Audited)	**(Audited)**	**(Audited)**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	829,502	903,693	956,735
Adjustments for:			
Depreciation	34,332	67,520	112,208
Amortisation	895	1,215	1,953
Gain on disposals of investment properties	(22,761)	(46,745)	(112,493)
Gains from deemed partially disposal	(29,474)	(29,950)	(28,222)
Gains on disposals of property, plant and equipment	(7,253)	(458)	(181)
Finance income	(50,187)	(67,680)	(101,538)
Finance costs	119,610	177,669	263,209
Loss/(gain) on disposal of subsidiaries	8,118	12,658	(25,693)
Loss on disposal of a joint venture	91,423	–	–
Fair value gains on investment properties	(246,581)	(57,411)	(155,677)
Fair value gains on financial assets at fair value through profit or loss	–	–	(82,157)
Gain on transfer an associate to financial assets at fair value through profit or loss	–	(129,063)	–
Loss on disposal of an associate	–	–	27,597
Net impairment losses on financial and contract assets	–	3,480	23,903
Share of profits of associates	(22,436)	(64,336)	(45,297)
Share of profits of joint ventures	(2,813)	(16,777)	(42,474)
Changes in working capital (excluding the effects of acquisition and currency translation differences on subsidiaries):			
(Increase)/decrease in restricted cash	(7,705)	(148,818)	155,426
Increase in properties under development, completed properties held for sale and inventories and contracting work-in-progress	(184,079)	(312,668)	(920,467)
Increase in contract assets and trade and other receivables	(59,191)	(845,186)	(499,769)
Increase in contract liabilities, deferred income and trade and other payables	106,849	397,287	1,135,738
Cash generated from/(used in) operations	558,249	(155,570)	662,801

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INTRODUCTION

The following is an illustrative unaudited pro forma financial information of the Remaining Group (the "Unaudited Pro Forma Financial Information of the Remaining Group") which have been prepared by the Board in accordance with paragraph 4.29 of the Listing Rules and on the basis as set out in the accompanying notes below to illustrate:

(a) the financial position of the Remaining Group as at 30 June 2020 as if the Completion had taken place on 30 June 2020; and

(b) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2019 as if the Completion had taken place on 1 January 2019.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 30 June 2020 or at any future date had the Completion been taken place on 30 June 2020, or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2019 or for any future period had the Completion been taken place on 1 January 2019.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as extracted from the 2020 interim report of the Company after giving effect to the pro forma adjustments relating to the Disposal as explained in the accompanying notes, as if the Completion had taken place on 30 June 2020.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019 are prepared based on the audited consolidated financial statements of the Group for the year ended 31 December 2019 as extracted from the 2019 annual report of the Company after giving effect to the pro forma adjustments relating to the Disposal as explained in the accompanying notes, as if the Completion had taken place on 1 January 2019.

Unaudited pro forma consolidated statement of financial position of the Remaining Group

	Unaudited consolidated statement of financial position of the Group as at 30 June 2020	Pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2020
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1(a))	*(Note 2)*	
ASSETS			
Non-current assets			
Property, plant and equipment	54,327	–	54,327
Right-of-use assets	68,536	–	68,536
Investment properties	47,546	–	47,546
Intangible assets	13,796	–	13,796
Investment in associates	2,630,019	(2,615,885)	14,134
Trade and other receivables	1,499	–	1,499
Deferred tax assets	44,331	–	44,331
	2,860,054	(2,615,885)	244,169
Current assets			
Inventories	463,949	–	463,949
Trade and other receivables	1,075,254	–	1,075,254
Financial assets at fair value through profit or loss	14,100	–	14,100
Short-term deposits	251,795	–	251,795
Restricted cash	54,740	–	54,740
Cash and cash equivalents	432,635	1,779,000	2,211,635
	2,292,473	1,779,000	4,071,473
Total assets	5,152,527	(836,885)	4,315,642

Unaudited pro forma consolidated statement of financial position of the Remaining Group *(continued)*

	Unaudited consolidated statement of financial position of the Group as at 30 June 2020	Pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2020
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1(a))	*(Note 2)*	
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital and premium	825,454	–	825,454
Reserves	(791,830)	(21,795)	(813,625)
Retained earnings	1,982,991	(815,090)	1,167,901
	2,016,615	(836,885)	1,179,730
Non-controlling interests	21,575	–	21,575
Total equity	2,038,190	(836,885)	1,201,305
Liabilities			
Non-current liabilities			
Lease liabilities	40,971	–	40,971
Deferred tax liabilities	11,009	–	11,009
	51,980	–	51,980
Current liabilities			
Deferred government grants	53,227	–	53,227
Contract liabilities	6,872	–	6,872
Trade and other payables	654,341	–	654,341
Bank and other borrowings	2,309,402	–	2,309,402
Lease liabilities	26,332	–	26,332
Income tax payable	12,183	–	12,183
	3,062,357	–	3,062,357
Total liabilities	3,114,337	–	3,114,337
Total equity and liabilities	5,152,527	(836,885)	4,315,642

Unaudited pro forma consolidated statement of profit or loss of the Remaining Group

	Audited consolidated statement of profit or loss of the Group for the year ended 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the year ended 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1(b))	*(Note 3)*	*(Note 3)*	
Revenue	1,695,486	–	–	1,695,486
Cost of sales	(1,158,987)	–	–	(1,158,987)
Gross profit	536,499	–	–	536,499
Other income/(other loss) – net	34,910	–	(908,590)	(873,680)
Selling and marketing costs	(83,154)	–	–	(83,154)
Administrative expenses	(345,756)	–	–	(345,756)
Impairment losses on trade and other receivables	(7,402)	–	–	(7,402)
Operating profit/(loss)	135,097	–	(908,590)	(773,493)
Finance income	2,074	–	–	2,074
Finance costs	(103,381)	–	–	(103,381)
Finance costs – net	(101,307)	–	–	(101,307)
Share of results of associates	121,000	(120,191)	–	809
Profit/(loss) before taxation	154,790	(120,191)	(908,590)	(873,991)
Taxation	2,796	–	–	2,796
Profit/(loss) for the year	157,586	(120,191)	(908,590)	(871,195)
Profit/(loss) for the year attributable to:				
Owners of the Company	155,159	(120,191)	(908,590)	(873,622)
Non-controlling interests	2,427	–	–	2,427
	157,586	(120,191)	(908,590)	(871,195)

Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1(b))	*(Note 3)*	*(Note 3)*	
Profit/(loss) for the year	157,586	(120,191)	(908,590)	(871,195)
Other comprehensive income for the year, net of taxation:				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of financial statements	(44,670)	(2,153)	–	(46,823)
Total comprehensive income for the year	112,916	(122,344)	(908,590)	(918,018)
Total comprehensive income for the year attributable to:				
Owners of the Company	111,649	(122,344)	(908,590)	(919,285)
Non-controlling interests	1,267	–	–	1,267
	112,916	(122,344)	(908,590)	(918,018)

Unaudited pro forma consolidated statement of cash flows of the Remaining Group

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1(b))	*(Note 3, 4)*	*(Note 3)*	
Cash flows from operating activities				
Profit/(loss) before taxation	154,790	(120,191)	(908,590)	(873,991)
Adjustments for:				
Depreciation of property, plant and equipment	36,620	–	–	36,620
Depreciation of right-of-use assets	21,670	–	–	21,670
Amortisation of intangible assets	7,589	–	–	7,589
Interest income	(11,893)	–	–	(11,893)
Interest expenses	103,381	–	–	103,381
Gains on disposal of property, plant and equipment	(9,175)	–	–	(9,175)
Loss on disposal of an associate	–	–	908,590	908,590
Share of results of associate(s)	(121,000)	120,191	–	(809)
Impairment losses on trade and other receivables	7,402	–	–	7,402
Provision for inventories	28,586	–	–	28,586
Changes in fair value of investment property	(522)	–	–	(522)
Fair value gains on financial assets at fair value through profit or loss	(957)	–	–	(957)
Gains on disposal of financial assets at fair value through profit or loss	(1,722)	–	–	(1,722)
Operating cash flows before changes in working capital	214,769	–	–	214,769
Inventories	114,480	–	–	114,480
Trade and other receivables	(7,010)	–	–	(7,010)
Deferred government grants	(416)	–	–	(416)
Changes in contract liabilities	(7,014)	–	–	(7,014)
Trade and other payables	(93,016)	–	–	(93,016)
Cash flows generated from operations	221,793	–	–	221,793
Interest paid	(101,326)	–	–	(101,326)
Income tax paid	(14,617)	–	–	(14,617)
Net cash flows generated from operating activities	105,850	–	–	105,850

Unaudited pro forma consolidated statement of cash flows of the Remaining Group *(continued)*

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1(b))	*(Note 3, 4)*	*(Note 3)*	
Cash flows from investing activities				
Interest received	10,151	–	–	10,151
Purchase of property, plant and equipment, and intangible assets	(18,407)	–	–	(18,407)
Payment for financial assets at fair value through profit or loss	(62,500)	–	–	(62,500)
Proceeds from disposal of financial assets at fair value through profit or loss	92,632	–	–	92,632
Increase in short-term deposits	(359,691)	–	–	(359,691)
Proceeds from disposal of property, plant and equipment	276,031	–	–	276,031
Proceeds from disposal of land use rights	11,253	–	–	11,253
Net proceeds from disposal of an associate	–	–	1,779,000	1,779,000
Dividends received	63,760	(63,750)	–	10
Net cash flows generated from investing activities	13,229	(63,750)	1,779,000	1,728,479
Cash flows from financing activities				
Proceeds from bank and other borrowings	2,380,682	–	–	2,380,682
Repayment of bank and other borrowings	(2,438,795)	–	–	(2,438,795)
Dividend paid	(40,597)	–	–	(40,597)
Principal portion of lease payments	(20,364)	–	–	(20,364)
Net cash flows used in financing activities	(119,074)	–	–	(119,074)
Net increase in cash and cash equivalents	5	(63,750)	1,779,000	1,715,255
Effect of exchange rate changes	(25,311)	–	–	(25,311)
Cash and cash equivalents at beginning of the year	375,525	–	–	375,525
Cash and cash equivalents at end of the year	350,219	(63,750)	1,779,000	2,065,469

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

1. (a) The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the 2020 interim report of the Company.

   (b) The amounts are extracted from the audited consolidated statement of profits or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the 2019 annual report of the Company.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position of the Remaining Group, assuming the Completion had taken place on 30 June 2020 and for the purpose of the Unaudited Pro Forma Financial Information of the Remaining Group:

	Note	*HK$'000*
Consideration	(i)	1,785,000
Carrying value of the investment in CEOVU as at 30 June 2020	(ii)	(2,615,885)
Release of accumulated translation reserve as at 30 June 2020	(ii)	9,634
		(821,251)
Less: Estimated transaction costs attributable to the Disposal	(iii)	(6,000)
Estimated loss on the Disposal		(827,251)

Notes:

(i) Pursuant to the Sale and Purchase Agreement, the consideration for the Disposal is HK$1,785,000,000 and will be settled by the Purchaser on the Completion.

(ii) The amount represents the carrying value of the Group's investment in CEOVU amounting to HK$2,615,885,000 as at 30 June 2020. The accumulated translation reserve of the Group's investment in CEOVU amounting to HK$9,634,000 as at 30 June 2020 is reclassified to profit or loss on the Completion.

(iii) The estimated transaction costs directly incurred for the Disposal amounting to HK$6,000,000 will be borne by the Group and are assumed to be settled in cash. The net receipt from the Disposal is HK$1,779,000,000.

(iv) The pro forma adjustment to the Group's reserves as at 30 June 2020 amounting to HK$21,795,000 includes the release of accumulated translation reserve as at 30 June 2020 amounting to HK$9,634,000 as illustrated above, as well as the reclassification of the Group's share of CEOVU's accumulated post-tax revaluation of property, plant and equipment from the property revaluation reserve to the retained earnings amounting to HK$12,161,000 on the Completion.

(v) The pro forma adjustment to the Group's retained earnings as at 30 June 2020 amounting to HK$815,090,000 includes the estimated loss on the Disposal amounting to HK$827,251,000, as well as the reclassification of the Group's share of CEOVU's accumulated post-tax revaluation of property, plant and equipment from the property revaluation reserve to the retained earnings amounting to HK$12,161,000 on the Completion.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss of the Remaining Group, the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flows of the Remaining Group, assuming the Completion had taken place on 1 January 2019 and for the purpose of the Unaudited Pro Forma Financial Information of the Remaining Group:

(a) The pro forma adjustments represent the exclusion of the share of result of CEOVU amounting to HK$120,191,000, and the share of exchange differences on translation of financial statements of the CEOVU Group amounting to HK$2,153,000.

(b) The pro forma adjustment represents the estimated loss on the Disposal, assuming the Completion had taken place on 1 January 2019 and is calculated as follows:

	Note	*HK$'000*
Consideration	(i)	1,785,000
Carrying value of the investment in CEOVU as at 1 January 2019	(ii)	(2,695,459)
Release of accumulated translation reserve as at 1 January 2019	(ii)	7,869
		(902,590)
Less: Estimated transaction costs attributable to the Disposal	(iii)	(6,000)
Estimated loss on the Disposal		(908,590)

Notes:

(i) Pursuant to the Sale and Purchase Agreement, the consideration for the Disposal is HK$1,785,000,000 and will be settled by the Purchaser on the Completion.

(ii) The amount represents the carrying value of the Group's investment in CEOVU amounting to HK$2,695,459,000 as at 1 January 2019. The accumulated translation reserve of the Group's investment in CEOVU amounting to HK$7,869,000 as at 1 January 2019 is reclassified to profit or loss on the Completion.

(iii) The estimated transaction costs directly incurred for the Disposal amounting to HK$6,000,000 will be borne by the Group and are assumed to be settled in cash. The net receipt from the Disposal is HK$1,779,000,000.

4. The pro forma adjustment represents the exclusion of the dividend received from CEOVU amounting to HK$63,750,000 during the year ended 31 December 2019 which assuming the Completion had taken place on 1 January 2019.

5. Apart from the above, no pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position of the Remaining Group to reflect any trading results or other transactions of the Group entered subsequent to 30 June 2020. Similarly, no other pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss of the Remaining Group, the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group, and the unaudited pro forma consolidated statement of cash flows of the Remaining Group to reflect any trading results or other transactions of the Group entered subsequent to 1 January 2019.

   Since the carrying value of the Group's investment in CEOVU and release of accumulated translation reserve on the Completion may be different from the amounts disclosed in the Unaudited Pro Forma Financial Information of the Remaining Group, the actual loss on the Disposal may be different from the amounts presented herein.

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report on the Unaudited Pro Forma Financial Information of the Remaining Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

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

To the Directors of China Electronics Huada Technology Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Electronics Huada Technology Company Limited (the "Company") and its subsidiaries (collectively the "Group") excluding China Electronics Optics Valley Union Holding Company Limited and its subsidiaries (the "Disposal Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2019, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2019 and the unaudited pro forma consolidated statement of cash flow for the year ended 31 December 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-10 of the Company's circular dated 30 September 2020, in connection with the proposed disposal of the Disposal Group (the "Transaction") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-10 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2020 and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Transaction had taken place at 30 June 2020 and 1 January 2019 respectively. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2020, on which a review report has been published, and information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2020 and 1 January 2019 respectively would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 September 2020

Prior to the Disposal, the Group is principally engaged in the business of design and sale of integrated circuit chips. Upon the Completion, CEOVU will cease to be an associate company of the Group. There will be no change in the principal activities of the Remaining Group following the Completion.

For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of the CEOVU Group. The management discussion and analysis of the Remaining Group for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are set out below.

BUSINESS REVIEW

For the year ended 31 December 2017

Results overview

During the year, the Remaining Group's continuing operations comprised the design and sale of integrated circuit chips. The Remaining Group discontinued its development and management of electronic information technology industrial parks operation in June 2016. The analysis below reports only on the continuing operations of the Remaining Group.

Revenue of the Remaining Group for the year ended 31 December 2017 amounted to HK$1,453.0 million, representing an increase of 6.9% when comparing with the corresponding period of last year.

Integrated circuits design operation

The Remaining Group's integrated circuits design operation comprises the design of security smart card chips and the development of application system. Currently, the Remaining Group's products are mainly used in sectors such as identity authentication, financial payment, government utilities, telecommunication and mobile payment. For the year ended 31 December 2017, the Remaining Group has obtained 78 new patents, registered 9 new computer software copyrights, and registered 9 new integrated circuits layout designs.

In 2017, the global smart cards market entered into a steady development stage, and the domestic smart card chips market was highly competitive. Driven by the policy on the issuance of state cryptographic algorithm powered bank cards, the market demand for domestic financial payment chips grew continuously, and coupled with the Remaining Group's successful participation in bank card projects of various major domestic banks, market share of and sales volume of the financial payment chips of the Remaining Group increased significantly when comparing with the corresponding period of last year. Meanwhile, as the demand increased, sales volume of the identity authentication chips increased when comparing with the corresponding period of last year. On the other hand, due to the constraint of the foundry manufacturers' production capacities, the Remaining Group's supply of telecommunication and mobile payment chips was in shortage, leading to a slight drop in the sales volume of the Remaining Group's telecommunication and mobile payment chips despite rising demand in the overseas market. As the domestic social security cards issuance coverage rate has increased in recent years, the demand for new cards has decreased, and sales volume of the domestic social security cards has dropped slightly when comparing with the corresponding period of last year. For the year ended 31 December 2017, overall sales volume of the Remaining Group increased slightly by 1.7% when comparing with the corresponding period of last year. Since the types of smart card chips that recorded growth for the year ended 31 December 2017 were mainly products with higher unit price, the impact of the general decrease in selling prices of smart card chips when comparing with the corresponding period of last year caused by further intensified competition in market price on the revenue of the year was compensated. Revenue of the Remaining Group for the year ended 31 December 2017 was HK$1,453.0 million, representing an increase of 6.9% when comparing with the corresponding period of last year.

With the intensified competition in the market of financial payment chips and telecommunication and mobile payment chips, selling price of these products dropped in general as compared with those in 2016. In addition, the cost of production of smart card chips remains to be high due to the rising cost of raw materials and the constraint of the foundry manufacturers' production capacities. All these factors have led to a decrease in the Remaining Group's overall gross profit margin in 2017 to 34.4% (2016: 37.2%).

Selling and marketing costs for the year ended 31 December 2017 amounted to HK$97.6 million (2016: HK$101.5 million). As a percentage to revenue, selling and marketing costs decreased to 6.7% from 7.5% of the corresponding period of last year. The main reason for the decrease in 2017 was the continuous implementation of the reorganisation of the Remaining Group's personnel structure and the disposal of its navigation chips business, decrease in marketing staff, and the implementation of stringent cost control measures during the year.

Administrative expenses for the year ended 31 December 2017 amounted to HK$352.1 million, representing a decrease of 14.5% when comparing with the corresponding period of last year, which was primarily due to the decrease in research and development costs during the year. In 2017, the Remaining Group continued to implement the integration and centralised planning of resources for research and development, disposed of its navigation chips business and implemented stringent cost control measures, resulting in a decrease in the research and development costs as a percentage of the revenue.

Research and development costs for the year ended 31 December 2017 was HK$224.9 million (2016: HK$276.8 million), which represented 15.5% of the revenue for the year ended 31 December 2017 (2016: 20.4%). Research and development during the year primarily focused on areas such as the continuous running-in of existing process, continuous improvements in product functions and performance, advanced research of new process, enhancement of product security technology, research in application of security chips in the Internet of Things and the development of application systems and solutions.

Other income and gains

For the year ended 31 December 2017, the Remaining Group disposed of its navigation chips business and recognised a gain before taxation of HK$102.5 million.

Government grants recognised as income decreased by 78.2% to HK$20.7 million for the year ended 31 December 2017 resulted from less government subsidies received for research and development costs incurred in the year.

For the year ended 31 December 2018

Results overview

Revenue of the Remaining Group for the year ended 31 December 2018 amounted to HK$1,687.0 million, representing an increase of 16.1% when comparing with the corresponding period of last year.

Integrated circuits design operation

The Remaining Group's integrated circuits design operation comprises the design of security smart card chips and the development of application system. Currently, the Remaining Group's products are mainly used in sectors such as identity authentication, financial payment, government utilities, telecommunication and mobile payment. For the year ended 31 December 2018, the Remaining Group has obtained 63 new patents, registered 4 new software copyrights and 6 new integrated circuits layout designs.

In 2018, the economic growth in the PRC slowed down, but the domestic market of integrated circuits still flourished with strong demand. Yet, product selling price continued to fall due to fiercer competition in the industry. In particular, driven by the maturity of domestic-made chip technology and the policy on the issuance of state cryptographic algorithm powered bank cards, the market demand for domestic-made financial payment chips grew rapidly, which also led to intensifying competition and falling product selling price. In 2018, the Remaining Group successful participated in bank card projects of various major domestic banks, sales volume of the financial payment chips of the Remaining Group increased significantly when comparing with the corresponding period of last year. Meanwhile, as the replacement process of the second-generation social security cards progressed, the issuance of the second-generation social security cards accelerated, and coupled with the supply of the third-generation social security cards in the first tranche of pilot cities has began in 2018, sales volume of the social security card chips increased when comparing with the corresponding period of last year. Sales volume of identity authentication as well as telecommunication and mobile payment smart card chips remained stable and decreased slightly respectively when comparing with the corresponding period of last year. Sales volume of logic card chips decreased significantly when comparing with the corresponding period of last year due to changes in business planning. For the year ended 31 December 2018, overall sales volume of the Remaining Group decreased by 1.8% when comparing with the corresponding period of last year. Since the types of smart card chips that recorded growth in sales volume for the year ended 31 December 2018 were mainly financial payment and social security products with unit price higher than the weighted average selling price, revenue of the Remaining Group for the year ended 31 December 2018 was HK$1,687.0 million, representing an increase of 16.1% when comparing with the corresponding period of last year.

Through successfully conducting research of, applying and promoting different types of raw materials, the Remaining Group has not only relieved the problem of shortage of raw material, but also controlled and reduced cost to a certain extent, and partly offset the negative effect on the overall gross profit margin of the year brought by the decrease in selling price of financial payment chips as well as telecommunication and mobile payment chips when comparing with the corresponding period of last year due to intensifying competition in the market. For the year ended 31 December 2018, the overall gross profit margin was 31.5%, representing a drop of 2.9 percentage points from 34.4% of the corresponding period of last year.

Selling and marketing costs for the year ended 31 December 2018 amounted to HK$90.3 million (2017: HK$97.6 million). The percentage of selling and marketing costs to revenue decreased to 5.4% from 6.7% of the corresponding period of last year. The decrease was mainly attributable to the continuous implementation by the Remaining Group of stringent cost control measures during the year.

Administrative expenses for the year ended 31 December 2018 amounted to HK$343.6 million, representing an increase of 3.2% when comparing with the corresponding period of last year. The percentage of administrative expenses to revenue decreased to 20.4% from 22.9% of the corresponding period of last year. The Remaining Group continued to implement stringent cost control measures during the year.

Research and development costs for the year ended 31 December 2018 amounted to HK$211.8 million (2017: HK$224.9 million). The percentage of research and development costs to revenue was 12.6% (2017: 15.5%). The Remaining Group continued to implement the integration and centralised planning of research and development resources as well as stringent cost control measures during the year. Research and development during the year primarily focused on the continuous improvements in product functions and performance, advanced research of new process, enhancement of product security technology, research in application of security chips in the Internet of Things sector and the development of application systems and solutions.

Other income

Government grants recognised as income decreased by 30.0% to HK$14.5 million for the year ended 31 December 2018 resulted from less government subsidies received for research and development costs incurred in the year.

For the year ended 31 December 2019

Results overview

Revenue of the Remaining Group for the year ended 31 December 2019 amounted to HK$1,695.5 million, at a level similar to that of last year.

Integrated circuits design operation

The Remaining Group's integrated circuits design operation comprises the design of security smart card chips and the development of application system. Currently, the Remaining Group's products are mainly used in the sector of identity authentication, financial payment, government utilities and telecommunication. For the year ended 31 December 2019, the Remaining Group has obtained 31 new patents, registered 1 new software copyright and 5 new integrated circuits layout designs.

The year of 2019 saw many complex situations and development in the international arenas, slowing down the growth of global market for integrated circuits. Meanwhile, the market demand for domestic-made smart card chips grew steadily due to the further application of the domestic-made substitutes and the state cryptographic algorithm. In particular, as driven by the maturity of domestic-made chip technology and the policy on the issuance of bank cards with the state cryptographic algorithm, the market demand for domestic-made bank card chips soared. However, product selling prices continued to drop as a result of intensification of competition. In 2019, the Remaining Group successfully participated in bank card projects of various major domestic banks and recorded a significant increase in sales volume of bank card chips when comparing with last year. The market demand for telecommunication card chips remained steady amid fierce competition. Sales volume of telecommunication card chips for the year increased when comparing with last year. In 2019, the market demand for social security cards was steady, sales volume of social security card chips for the year increased slightly when comparing with last year. During the year, sales volume of identity authentication products was about the same as last year, while sales volume of some of the other smart card chips decreased significantly due to changes in business planning. For the year ended 31 December 2019, overall sales volume of the Remaining Group increased by 10.0% when comparing with last year. As the recorded growth in sales volume for the year was mainly telecommunication card chips with unit price below the weighted average selling price, and along with the effect of decrease in selling price of smart card chips in general when comparing with last year resulting from further intensification of market price competition on the revenue during the year, revenue of the Remaining Group for the year ended 31 December 2019 was HK$1,695.5 million, at a level similar to that of last year.

The Remaining Group has successfully conducted research of and promoted the use of different types of raw materials, which has both mitigated the problem of shortage of raw materials and achieved cost reduction to a certain extent, and offset the negative impact of decrease in selling price of smart card chips when comparing with last year caused by intense market competition on the overall gross profit margin of the year. Overall gross profit margin for the year ended 31 December 2019 was 31.6%, at a level similar to that of last year.

Selling and marketing costs for the year ended 31 December 2019 amounted to HK$83.2 million (2018: HK$90.3 million). The percentage of selling and marketing costs to revenue decreased to 4.9% from 5.4% of last year. The decrease was mainly attributable to the continuous implementation by the Remaining Group of stringent cost control measures during the year.

Administrative expenses for the year ended 31 December 2019 amounted to HK$345.8 million (2018: HK$343.6 million). The percentage of administrative expenses to revenue was 20.4%, at a level similar to that of last year. The Remaining Group continued to implement stringent cost control measures during the year.

Research and development costs for the year ended 31 December 2019 amounted to HK$221.7 million (2018: HK$211.8 million). The percentage of research and development costs to revenue was 13.1% (2018: 12.6%). Research and development of the Remaining Group during the year primarily focused on the research and development of security chip products as well as the continuous improvements in smart card product functions and performance, advanced research of new process, enhancement of product security certification level, enhancement of product security technology, research in application of security chips in the Internet of Things sector and the development of application systems and solutions, etc.

Other income

Government grants recognised as income decreased by 29.9% to HK$10.2 million for the year ended 31 December 2019 resulted from less government subsidies received for research and development costs incurred in the year.

For the year ended 31 December 2019, the Remaining Group recognised a gain on disposal of a building in the PRC of HK$9.1 million following the termination of the agreement to purchase Block C of China Electronics Information Security Technology Research and Development Foundation in the PRC.

Taxation

Income tax credit for the year ended 31 December 2019 amounted to HK$2.8 million (2018: income tax expense of HK$27.7 million). The income tax credit in current year was mainly due to a decrease of current taxation and deferred taxation of HK$15.0 million for the withholding tax on distributed profits and undistributed profits from a subsidiary in the PRC when comparing with last year and derecognition of deferred tax assets of HK$11.2 million for previous year's tax losses in 2018.

For the six months ended 30 June 2020

Results overview

Revenue of the Remaining Group for the six months ended 30 June 2020 amounted to HK$716.4 million, representing a decrease of 21.1% when comparing with the corresponding period of last year.

Integrated circuits design operation

The Remaining Group's integrated circuits design operation comprises the design of security smart card chips and the development of application system. Currently, the Remaining Group's products are mainly used in sectors of identity authentication, financial payment, government utilities and telecommunication. For the six months ended 30 June 2020, the Remaining Group has obtained 7 new patents and registered 2 new integrated circuits layout designs.

In the first half of 2020, the market demand for domestic-made bank card chips continued to grow as domestic-made bank card chips were increasingly recognized by various banks, and the sales volume of bank card chips increased when comparing with the corresponding period of last year. The sales of telecommunication card chips was better in early 2020 due to the growing demand in late 2019, and hence the overall sales volume in the first half of 2020 increased slightly when comparing with the corresponding period of last year. During the period, sales volume of identity authentication products was broadly comparable to the level of the corresponding period of last year. As a result of the COVID-19 pandemic, the sales volume of social security card chips declined significantly in the first half of 2020 when comparing with the corresponding period of last year due to stagnant demand in the social security cards market as a result of the crowd control in medical institutions and restrictions on the resumption of work and production during the pandemic in various industries. For the six months ended 30 June 2020, the Remaining Group's total sales volume increased by 2.0% when comparing with the corresponding period of last year.

As the decrease in sales volume of various types of smart card chips in the first half of 2020 mainly involved products with higher unit price, and along with the impact of a general decline in the selling price of smart card chips when comparing with the corresponding period of last year as a result of further intensification in market price competition on the revenue during the period, the Remaining Group's revenue for the six months ended 30 June 2020 was HK$716.4 million, representing a decrease of 21.1% when comparing with the corresponding period of last year.

In the first half of 2020, the Remaining Group, through adjusting the product mix of its smart card chips business and focusing on products with a better gross profit margin, while also strengthening cost control and striving to expand market share of its products, had offset the impact of a decline in the selling price of smart card chip products on the gross profit margin during the period. Overall gross profit margin has increased by 2.4 percentage points to 35.4% for the six months ended 30 June 2020.

Selling and marketing costs for the six months ended 30 June 2020 amounted to HK$38.1 million (2019: HK$43.5 million). The percentage of selling and marketing costs to revenue increased to 5.3% from 4.8% of the corresponding period of last year. The increase was mainly attributable to the fact that the progress achieved through the continuous implementation of stringent cost control measures by the Remaining Group during the period was more than offset by the loss of revenue due to the COVID-19 pandemic.

Administrative expenses for the six months ended 30 June 2020 amounted to HK$136.6 million, representing a decrease of 17.4% when comparing with the corresponding period of last year. The percentage of administrative expenses to revenue was 19.1% (2019: 18.2%). The increase was mainly attributable to the fact that the progress achieved through the continuous implementation of stringent cost control measures by the Remaining Group during the period was more than offset by the loss of revenue due to the COVID-19 pandemic.

Research and development costs for the six months ended 30 June 2020 amounted to HK$90.0 million (2019: HK$106.0 million). The percentage of research and development costs to revenue was 12.6% (2019: 11.7%). Research and development of the Remaining Group during the period primarily focused on the research and development of security chip products as well as the continuous improvements in smart card product performance, enhancement of product security certification level, research in application of security chips in the Internet of Things sector and the development of application systems and solutions, etc.

Other income

Other income decreased by 41.3% to HK$14.3 million for the six months ended 30 June 2020 primarily due to the fact that for the six months ended 30 June 2019, the Remaining Group had recognised a one-off gain before taxation of HK$9.1 million arising from the disposal of a building in the PRC.

FINANCIAL RESOURCES AND LIQUIDITY

The Remaining Group generally finances its working capital and funding requirements through internal resources, bank and other borrowings, and issuance of corporate bonds. At 31 December 2017, the Remaining Group had cash and cash equivalents amounted to HK$373.8 million, of which 96.8% was denominated in Renminbi, 2.3% in United States dollars and 0.9% in Hong Kong dollars (2016: HK$911.9 million, of which 93.0% was denominated in Renminbi, 6.4% in Hong Kong dollars and 0.6% in United States dollars).

At 31 December 2017, the Remaining Group had bank and other borrowings of HK$2,314.5 million, of which 95.6% were denominated in Renminbi and 4.4% in Hong Kong dollars (2016: HK$477.6 million, of which 74.8% were denominated in Renminbi and 25.2% in Hong Kong dollars). Among these borrowings, (i) all were unsecured (2016: HK$120.2 million were secured by short-term deposits of the Remaining Group and HK$357.4 million were unsecured), and (ii) HK$2,214.5 million and HK$100.0 million were borrowed at fixed interest rates and variable interest rates respectively (2016: HK$357.3 million and HK$120.3 million were borrowed at fixed interest rates and variable interest rates respectively). At 31 December 2017, committed borrowing facilities available to the Remaining Group but not drawn amounted to HK$1,124.4 million.

In January 2017, the Company redeemed the 4.70% unsecured bonds due 2017 in the principal amount of RMB2,750.0 million in full.

The Remaining Group's revenue are mainly denominated in Renminbi and payments are denominated in Renminbi and Hong Kong dollars. The Remaining Group will make use of hedging contracts, when appropriate, to hedge the risk of foreign exchange fluctuation arising from its operations.

At 31 December 2017, the Remaining Group had net current liabilities of HK$1,258.1 million (2016: HK$1,239.5 million). The gearing ratio, which is calculated as net debt divided by total equity and net debt of the Remaining Group, was 48.7% (2016: 61.1%).

The Remaining Group generally finances its working capital and funding requirements through internal resources, and bank and other borrowings. At 31 December 2018, the Remaining Group had cash and cash equivalents amounted to HK$375.5 million, of which 90.2% was denominated in Renminbi, 8.0% in Hong Kong dollars and 1.8% in United States dollars (2017: HK$373.8 million, of which 96.8% was denominated in Renminbi, 2.3% in United States dollars and 0.9% in Hong Kong dollars).

At 31 December 2018, the Remaining Group had bank and other borrowings of HK$2,295.3 million, of which 97.5% were denominated in Renminbi and 2.5% in Hong Kong dollars (2017: HK$2,314.5 million, of which 95.6% were denominated in Renminbi and 4.4% in Hong Kong dollars). Among these borrowings, (i) HK$57.5 million were secured by deposits of the Remaining Group and HK$2,237.8 million were unsecured (2017: all were unsecured), and (ii) HK$2,237.8 million and HK$57.5 million were borrowed at fixed interest rates and variable interest rates respectively (2017: HK$2,214.5 million and HK$100.0 million were borrowed at fixed interest rates and variable interest rates respectively). At 31 December 2018, committed borrowing facilities available to the Remaining Group but not drawn amounted to HK$2,746.1 million.

The Remaining Group's revenue are mainly denominated in Renminbi and payments are denominated in Renminbi and Hong Kong dollars. The Remaining Group will make use of hedging contracts, when appropriate, to hedge the risk of foreign exchange fluctuation arising from its operations.

At 31 December 2018, the Remaining Group had net current liabilities of HK$1,167.9 million (2017: HK$1,258.1 million). The gearing ratio, which is calculated as net debt divided by total equity and net debt of the Remaining Group, was 49.7% (2017: 48.7%).

The Remaining Group generally finances its working capital and funding requirements through internal resources, and bank and other borrowings. At 31 December 2019, the Remaining Group had cash and cash equivalents amounted to HK$350.2 million, of which 97.0% was denominated in Renminbi, 2.3% in United States dollars and 0.7% in Hong Kong dollars (2018: HK$375.5 million, of which 90.2% was denominated in Renminbi, 8.0% in Hong Kong dollars and 1.8% in United States dollars).

At 31 December 2019, the Remaining Group had bank and other borrowings of HK$2,188.0 million, all were denominated in Renminbi (2018: HK$2,295.3 million, of which 97.5% were denominated in Renminbi and 2.5% in Hong Kong dollars). Among these borrowings, (i) all were unsecured (2018: HK$57.5 million were secured by deposits of the Remaining Group and HK$2,237.8 million were unsecured), and (ii) all were borrowed at fixed interest rates (2018: HK$2,237.8 million and HK$57.5 million were borrowed at fixed interest rates and variable interest rates respectively). At 31 December 2019, committed borrowing facilities available to the Remaining Group but not drawn amounted to HK$881.3 million.

The Remaining Group's revenue are mainly denominated in Renminbi and payments are denominated in Renminbi and Hong Kong dollars. The Remaining Group will make use of hedging contracts, when appropriate, to hedge the risk of foreign exchange fluctuation arising from its operations.

At 31 December 2019, the Remaining Group had net current liabilities of HK$814.5 million (2018: HK$1,167.9 million). The gearing ratio, which is calculated as net debt divided by total equity and net debt of the Remaining Group, was 40.3% (2018: 49.7%).

The Remaining Group generally finances its working capital and funding requirements through internal resources, and bank and other borrowings. At 30 June 2020, the Remaining Group had cash and cash equivalents amounted to HK$432.6 million, of which 98.1% was denominated in Renminbi, 1.0% in United States dollars and 0.9% in Hong Kong dollars (31 December 2019: HK$350.2 million, of which 97.0% was denominated in Renminbi, 2.3% in United States dollars and 0.7% in Hong Kong dollars).

At 30 June 2020, the Remaining Group had bank and other borrowings of HK$2,309.4 million, all were denominated in Renminbi (31 December 2019: HK$2,188.0 million, all were denominated in Renminbi). Among these borrowings, (i) HK$54.2 million were secured by deposits of the Remaining Group and HK$2,255.2 million were unsecured (31 December 2019: all were unsecured), and (ii) all were borrowed at fixed interest rates (31 December 2019: all were borrowed at fixed interest rates). At 30 June 2020, committed borrowing facilities available to the Remaining Group but not drawn amounted to HK$870.2 million.

The Remaining Group's revenue are mainly denominated in Renminbi and payments are denominated in Renminbi and Hong Kong dollars. The Remaining Group will make use of hedging contracts, when appropriate, to hedge the risk of foreign exchange fluctuation arising from its operations.

At 30 June 2020, the Remaining Group had net current liabilities of HK$769.9 million (31 December 2019: HK$814.5 million). The gearing ratio, which is calculated as net debt divided by total equity and net debt of the Remaining Group, was 43.5% (31 December 2019: 40.3%).

MATERIAL DISPOSAL

On 3 March 2017, CEC Huada Electronic Design Co., Ltd, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of its navigation chips business for a cash consideration of RMB100.0 million to Shenzhen Huada Beidou Technology Company Limited (the "Business Transfer"). The Business Transfer was completed in May 2017. The Remaining Group recognised a gain before taxation of HK$102.5 million.

Save as disclosed in the above, the Remaining Group had not held any other significant investments nor made any material acquisitions or disposals of subsidiaries or associate companies during each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

PLEDGE OF ASSETS

As at 31 December 2017, the Remaining Group did not pledge any assets as collateral for its borrowings.

As at 31 December 2018, certain assets of the Remaining Group with an aggregate carrying value of HK$62.8 million were pledged as collateral for its borrowings.

As at 31 December 2019, the Remaining Group did not pledge any assets as collateral for its borrowings.

As at 30 June 2020, certain assets of the Remaining Group with an aggregate carrying value of HK$54.7 million were pledged as collateral for its borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Remaining Group did not have any material outstanding capital commitments for the acquisition of fixed assets and intangible assets.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Remaining Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The Remaining Group had approximately 360, 370, 370 and 370 employees as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, the majority of whom were based in the PRC.

For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the employee benefit expenses of the Remaining Group were HK$178.7 million, HK$161.2 million, HK$161.0 million and HK$88.4 million, respectively.

The Remaining Group recognises the importance of high caliber and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration policies are largely in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. Bonuses and other merit payments are linked with performance of the Remaining Group and of the individuals as incentive to optimise performance.

The following is the text of a letter, summary of reference values and property reference value calculation sheet prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its calculation as at 30 June 2020 of the property interests held by China Electronics Optics Valley Union Holding Company Limited.

CONSULTING & APPRAISAL
亜太評估

Asia-Pacific Consulting and Appraisal Limited
Flat/Rm A, 12/F,
Kiu Fu Commercial Building
300 Lockhart Road
Wan Chai
Hong Kong

30 September 2020

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

Dear Sirs,

Pursuant to the Sale and Purchase Agreement dated 30 July 2020, CEC Media Holdings Limited, a wholly-owned subsidiary of China Electronics Huada Technology Company Limited (the "Company"), has agreed to sell 33.67% of the issued share capital of China Electronics Optics Valley Union Holding Company Limited (the "CEOVU"). In accordance with your instructions to calculate the property interests held by CEOVU and its subsidiaries (hereinafter together referred to as the "CEOVU Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the reference values of such property interests as at 30 June 2020 (the "Calculation Date").

For the purpose of this report, we classified these buildings as the property interest relating to "property activities" which mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. Except for this, the remaining properties are classified as "non-property activities". In this report, the property interests we calculated are those property interests relating to "property activities" of the CEOVU Group. Furthermore, we have adopted the below guidance on what constitutes a property interest:-

(a) one or more units in the same building or complex;

(b) one or more properties located at the same address or lot number;

(c) one or more properties comprising an integrated facility;

(d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);

(e) one or more properties held for investment within one complex;

(f) one or more properties, structures or facilities located contiguously each other or located on adjoining lots and used for the same or similar operational/business purposes; or

(g) a project or phases of development presented to the public as one whole project or forming a single operating entity.

We have calculated the properties held by the CEOVU Group for owner-occupation or for sale and for future development by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have calculated the completed properties held by the CEOVU Group for investment by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the reference value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

In calculating the property interests that are currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the CEOVU Group. In arriving at our opinion of calculation results, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the Calculation Date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the CEOVU Group according to the different stages of construction of the properties as at the Calculation Date, and we did not find any material inconsistency from those of other similar developments.

Our calculation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any neither of the property interests calculated nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

We have relied to a very considerable extent on the information given by the CEOVU Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the information and description handed to us are correct. All information and description have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our calculation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in August 2020 by Mr. David Cheng, Jack Li, Jasper Jia, Jill Shang and various valuation assistant. David Cheng is a member of Royal Institution of Chartered Surveyor and has 20 years' experience in the property valuation in the PRC; Jack Li is a member of Royal Institution of Chartered Surveyor and a Certified Public Valuer and has 5 years' experience in the property valuation in the PRC; Ms. Jasper Jia who is a member of Royal Institution of Chartered Surveyor and has 13 years' experience in the property valuation in the PRC; Jill Shang is a Certified Public Valuer and has 3 years' experience in the property valuation in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the CEOVU Group. We have also sought confirmation from the CEOVU Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of reference values and property reference value calculation sheet are attached below for your attention.

Given that the reference values of the land and/or properties information of the CEOVU Group prepared by us are subject to the following limitations:- (a) there is no independent verification by us over the information provided by the CEOVU Group, (b) there is no legal due diligence performed over the legal ownership and title(s) of the land and/or properties of the CEOVU Group and no reliance by us on any PRC legal opinion in arriving at our opinions of the relevant reference value(s), and (c) all information provided by the CEOVU Group to us is assumed to be complete and correct, the reference value(s) in relation to the land and/or properties of the CEOVU Group should therefore not be regarded as or equivalent to any valuation of the CEOVU Group properties performed by us under Chapter 5 and Practice Note 12 of the Listing Rules, and inclusion of the reference values of the land and/or properties of the CEOVU Group in this circular is for general reference purpose only for the shareholders of the Company.

Yours faithfully,
For and on behalf of
Asia-Pacific Consulting and Appraisal Limited
David G. D. Cheng
MRICS
Executive Director

Note: David G.D. Cheng is a Chartered Surveyor who has 20 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.

SUMMARY OF REFERENCE VALUES

Abbreviation:

Group I: Completed properties held for owner occupation or for sale by the CEOVU Group in the PRC
Group II: Completed properties held for investment by the CEOVU Group in the PRC
Group III: Properties held under development by the CEOVU Group in the PRC
Group IV: Properties held for future development by the CEOVU Group in the PRC
–: Not Applicable

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
1.	Portions of Optics Valley Software Park, east of Guanshan Avenue and south of Nanhu South Road, East Lake Hi-Tech Development Zone, Wuhan, Hubei Province, the PRC (光谷軟件園)	134,900,000	334,900,000	–	–	469,800,000 100% Interest attributable to the CEOVU Group: 469,800,000
2.	Various office units in Phases I and II of Financial Harbour, No. 77 Guanggu Avenue, East Lake Hi-tech Development Zone, Wuhan, Hubei Province, the PRC (金融港)	148,000,000	164,400,000	–	–	312,400,000 100% Interest attributable to the CEOVU Group: 312,400,000
3.	Portions of Creative Capital, No. 16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province, the PRC (創意天地)	1,533,300,000	570,400,000	–	–	2,103,700,000 100% Interest attributable to the CEOVU Group: 2,103,700,000

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
4.	Portions of Wuhan Innocenter (Huisheng) located at Liangshantou Village, Liufang Street, Jiangxia District, Wuhan, Hubei Province, the PRC (武漢研創中心(滙盛))	177,000,000	170,300,000	–	4,600,000	351,900,000 100% Interest attributable to the CEOVU Group: 351,900,000
5.	Portions of Wuhan Innocenter (Minghong) located at Liangshantou Village, Liufang Street, Jiangxia District, Wuhan, Hubei Province, the PRC (武漢研創中心(鳴鴻))	59,200,000	97,500,000	–	4,700,000	161,400,000 100% Interest attributable to the CEOVU Group: 161,400,000
6.	Units 1-101, 1-201, 1-301 and 1-401, Block 1, Joint Enterprise Center, North Harbour Industrial Park (Lido Technology) , No. 17 Wenzhi Street, Hongshan District, Wuhan, Hubei Province, the PRC (北港工業園 (麗島科技))	7,840,000	22,500,000	–	–	30,340,000 100% Interest attributable to the CEOVU Group: 30,340,000
7.	Units 1-101, 1-201, 1-301, 1-301 overhead layer and 2-301, 2-401, 2-501, Block 2, Joint Enterprise Center, North Harbour Industrial Park (Lido Property) , No. 17 Wenzhi Street, Hongshan District, Wuhan, Hubei Province, the PRC (北港工業園 (麗島物業))	–	25,300,000	–	–	25,300,000 100% Interest attributable to the CEOVU Group: 25,300,000

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
8.	80 underground car parking spaces, a clubhouse and retail outlet No. C-18, Lido Garden, No. 497 Luoshi Road, Hongshan District, Wuhan, Hubei Province, the PRC (麗島花園)	14,400,000	37,000,000	–	–	51,400,000 100% Interest attributable to the CEOVU Group: 51,400,000
9.	Retail outlet No.6-1-1 and 53 underground car parking spaces, Lido 2046, No.175 Xiongchu Road, Hongshan District, Wuhan, Hubei Province, the PRC (麗島2046)	22,500,000	–	–	–	22,500,000 100% Interest attributable to the CEOVU Group: 22,500,000
10.	258 underground car parking spaces, Up Mason, No. 318 Minzu Avenue, East Lake Hi-Tech Development Zone, Wuhan, Hubei Province, the PRC (麗島美生)	19,600,000	–	–	–	19,600,000 100% Interest attributable to the CEOVU Group: 19,600,000
11.	Portions of Huangshi OVU Science and Technology City, Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province, the PRC (黃石聯合科技城)	171,900,000	35,700,000	117,600,000	12,800,000	338,000,000 100% Interest attributable to the CEOVU Group: 338,000,000

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
12.	Portions of Lido Top View, No. 76 Hangzhou West Road, Huangshi Economic Development Zone, Huangshi, Hubei Province, the PRC (麗島半山華府)	15,600,000	147,300,000	–	–	162,900,000 100% Interest attributable to the CEOVU Group: 162,900,000
13.	Portions of Ezhou OVU Science and Technology City, Gaoxin Third Road, Hubei Gedian High-Technology Industrial Development Zone, Ezhou, Hubei Province, the PRC (鄂州光谷聯合科技城)	199,800,000	–	37,000,000	34,000,000	270,800,000 80% Interest attributable to the CEOVU Group: 216,640,000
14.	Portions of Huanggang OVU Science and Technology City, northeastern corner of Xingang North Road and Zhonghuan Road, Huangzhou District, Huanggang, Hubei Province, the PRC (黄岡光谷聯合科技城)	30,800,000	36,200,000	–	19,000,000	86,000,000 70% Interest attributable to the CEOVU Group: 60,200,000
15.	Various units and 3,615 underground car parking spaces in Phases I and II of Hefei Financial Harbour, south of Nanjing Road and west of Huizhou Avenue, Binhu New District, Hefei, Anhui Province, the PRC (合肥金融港)	1,371,000,000	350,000,000	–	–	1,721,000,000 100% Interest attributable to the CEOVU Group: 1,721,000,000

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
16.	Luoyang China Electronics Optics Valley Information Harbour located at the northwest side of Guanlin Road and Longshan Avenue, Luolong District, Luoyang, Henan Province, the PRC (洛陽中電光谷信息港)	–	–	162,000,000	–	162,000,000 70% Interest attributable to the CEOVU Group: 113,400,000
17.	Portions of Changsha Information Security Industrial Park, Yuelu Avenue, High-tech District, Changsha, Hunan Province, the PRC (長沙信息安全產業園)	83,490,000	–	332,000,000	–	415,490,000 100% Interest attributable to the CEOVU Group: 415,490,000
18.	Shenyang Maker Corporation, No. 12 Qixing Avenue, Shenbei New District, Shenyang, Liaoning Province, the PRC (瀋陽創客公社)	–	–	80,900,000	–	80,900,000 100% Interest attributable to the CEOVU Group: 80,900,000
19.	Portions of Shenyang OVU Science and Technology City, intersection of Shengjing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province, the PRC (瀋陽光谷聯合科技城)	7,200,000	–	–	10,900,000	18,100,000 100% Interest attributable to the CEOVU Group: 18,100,000

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
20.	Portions of Shenyang CEOVU Information Harbour, Nos. 80, 82, 84 and 86 Qixing Street, Shenbei New District, Shenyang, Liaoning Province, the PRC (瀋陽中電光谷信息港)	214,800,000	–	–	3,900,000	218,700,000 100% Interest attributable to the CEOVU Group: 218,700,000
21.	Portions of Qingdao OVU International Marine Information Harbour, No. 396 Emeishan Road, Huangdao District, Qingdao, Shandong Province, the PRC (青島光谷國際海洋信息港)	180,400,000	365,600,000	45,000,000	–	591,000,000 100% Interest attributable to the CEOVU Group: 591,000,000
22.	Portions of Qingdao Research and Innovation Center, west of Jiangshan South Road, Huangdao District, Qingdao, Shandong Province, the PRC (青島研創中心)	59,900,000	338,700,000	–	–	398,600,000 100% Interest attributable to the CEOVU Group: 398,600,000
23.	Qingdao Marine & Science Park, south of Changjiang West Road, west of Jiangshan South Road, north of Binhai Avenue, Huangdao District, Qingdao, Shandong Province, the PRC (青島海洋科技園)	–	–	132,000,000	14,000,000	146,000,000 100% Interest attributable to the CEOVU Group: 146,000,000

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
24.	Portions of Xi'an Industrial Park located at the west of Caotanshi Road, north of Shangji Road, Xi'an, Shaanxi Province, the PRC (西安產業園)	381,150,000	305,880,000	109,000,000	27,900,000	823,930,000 73.91% Interest attributable to the CEOVU Group: 608,970,000
25.	Portions of Chengdu Chip Valley, Group 1 of Fengle Community, Dongsheng Street, Group 7 of Guangrong Community, Peng Town, Shuangliu District, Chengdu, Sichuan Province, the PRC (成都芯谷)	300,000	223,900,000	155,000,000	569,900,000	949,100,000 80% Interest attributable to the CEOVU Group: 759,280,000
26.	Shanghai Logistic Enterprise Community, Lot 114/1, 101 Street, Songjiang Industrial Park, Songjiang District, Shanghai, the PRC (上海物聯港)	–	–	198,000,000	17,000,000	215,000,000 100% Interest attributable to the CEOVU Group: 215,000,000
27.	Portions of Wenzhou Industrial Park, Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou, Zhejiang Province, the PRC (温州產業園)	129,660,000	–	123,000,000	-	252,660,000 95% Interest attributable to the CEOVU Group: 240,030,000

No.	Property	Reference value in existing state as at the Calculation Date *RMB* Group I:	Reference value in existing state as at the Calculation Date *RMB* Group II:	Reference value in existing state as at the Calculation Date *RMB* Group III:	Reference value in existing state as at the Calculation Date *RMB* Group IV:	Total reference value in existing state as at the Calculation Date *RMB* Total of the property:
28.	Hainan Resort Software Community, Southern section situated at 0.7km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province, the PRC (海南生態軟件園)	1,064,300,000	696,900,000	–	228,500,000	1,989,700,000 10% Interest attributable to the CEOVU Group: 198,970,000
29.	Ningbo Hangzhouwan Center, Blue Coast, Hangzhouwan New District, Ningbo, Zhejiang Province, the PRC (寧波杭州灣中心、蔚藍海岸)	–	–	3,724,300,000	225,700,000	3,950,000,000 31% Interest attributable to the CEOVU Group: 1,224,500,000
30.	Western Zhigu Park, east of Gaoke Third Road, south of Beiwei Second Road, west of Gaoke Second Road and north of Xinghuo Avenue in Xianyang High-Tech Industrial Development Zone, Qindu District, Xianyang, Shaanxi Province, the PRC (西部智谷產業園)	–	–	248,000,000	–	248,000,000 50% Interest attributable to the CEOVU Group: 124,000,000
31.	Zhuhai Hengqin Zhishuyun, east of Fubang Road, south of Xingsheng Third Road, west of Fuguo Road and north of Xingsheng Second Road, Hengqin New District, Zhuhai, Guangdong Province, the PRC (珠海橫琴智數雲)	–	–	465,000,000	–	465,000,000 30% Interest attributable to the CEOVU Group: 139,500,000
	Total	**6,027,040,000**	**3,922,480,000**	**5,928,800,000**	**1,172,900,000**	**17,051,220,000**

Total reference value attributable to the CEOVU Group: RMB11,539,520,000

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
1.	Portions of Optics Valley Software Park, east of Guanshan Avenue and south of Nanhu South Road, East Lake Hi-Tech Development Zone, Wuhan, Hubei Province, the PRC (光谷軟件園)	Optics Valley Software Park is a business park erected on 4 parcels of land with a total site area of approximately 488,642.52 sq.m. which accommodates exhibition centers, offices and ancillary facilities in seven phases. As advised by the CEOVU Group, Optics Valley Software Park was completed in various stages between 2009 and 2013. The property comprises Blocks A, B, C, D of Exhibition Center, Building Nos. 1-2 of Phase V, various office units in Building A3 of Phase III and 1,001 car parking spaces in Optics Valley Software Park together having a total gross floor area of approximately 60,304.12 sq.m. The land use rights of the property have been granted for four concurrent terms expiring on 4 May 2052, 6 May 2059 and 30 November 2059 respectively for industrial use.	Portions of the property are occupied by various tenants, while the rest of the property is vacant or occupied by the CEOVU Group.	469,800,000 100% Interest attributable to the CEOVU Group: 469,800,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	Nos. of car parking *(lots)*
Portions of Optics Valley Software Park	Office	21,092.87	
	Commercial	4,764.81	
	Car parking spaces	34,446.44	1,001
	Grand-total:	**60,304.12**	**1,001**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these properties ranges from RMB8,700 to RMB9,000 for office units and RMB130,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For commercial part, the unit rent of the comparable transactions basis ranges from RMB5.3 to RMB5.9 per sq.m. per day, and we have applied a market rent of RMB5.1 per sq.m. per day.

      For office part, the unit rent of the comparable transactions basis ranges from RMB2.2 to RMB2.3 per sq.m. per day, and we have applied a market rent of RMB2.3 per sq.m. per day.

   c. Based on our research on retail market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 6.25% as the capitalization rate for commercial part in the calculation.

      Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.5% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	134,900,000
Group II - held for investment by the CEOVU Group	334,900,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**469,800,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
2.	Various office units in Phases I and II of Financial Harbour, No. 77 Guanggu Avenue, East Lake Hi-tech Development Zone, Wuhan, Hubei Province, the PRC (金融港)	Financial Harbour is a business park accommodates office and ancillary facilities. It comprises two phases: Phase I occupies a parcel of land with a site area of approximately 145,855.98 sq.m. and Phase II occupies a parcel of land with a site area of approximately 231,310.24 sq.m. As advised by the CEOVU Group, Financial Harbour was completed in 2012 and 2015. The property comprises various office and apartment units and 388 car parking spaces together having a total gross floor area of approximately 46,899.05 sq.m. in Financial Harbour. The land use rights of the property have been granted for a term expiring on 17 May 2056 and 22 September 2059 respectively for industrial use.	Portions of the property are occupied by various tenants, while the rest of the property is vacant or occupied by the CEOVU Group.	312,400,000 100% Interest attributable to the CEOVU Group: 312,400,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	Nos. of car parking *(lots)*
Portions of Financial Harbour	Office	22,218.66	
	Apartment	8,993.56	
	Car parking spaces	15,686.83	388
	Grand-total:	**46,899.05**	**388**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these properties ranges from RMB7,700 to RMB8,700 for office units, RMB130,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For office part, the unit rent of the comparable transactions basis ranges from RMB2.0 to RMB2.1 per sq.m. per day, and we have applied a market rent of RMB2.0 per sq.m. per day.

      For apartment part, the unit rent of the comparable transactions basis ranges from RMB1.0 to RMB1.2 per sq.m. per day, and we have applied a market rent of RMB1.1 per sq.m. per day.

   c. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 6.5% as the capitalization rate for commercial part in the calculation.

      Based on our research on apartment market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 5.0% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	148,000,000
Group II - held for investment by the CEOVU Group	164,400,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**312,400,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
3.	Portions of Creative Capital, No. 16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province, the PRC (創意天地)	Creative Capital occupies a parcel of land with a site area of 193,899.68 sq.m. and was completed between 2014 and 2016. The property comprises various retail and office units and 1,641 car parking spaces together having a total gross floor area of 186,128.11 sq.m. of Creative Capital. The land use rights of the property have been granted for a term expiring on 8 July 2050 for office, retail and car parking uses.	Portions of the property are occupied by various tenants, while the rest of the property is vacant or occupied by the CEOVU Group.	2,103,700,000 100% Interest attributable to the CEOVU Group: 2,103,700,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	Nos. of car parking *(lots)*
Portions of Creative Capital	Office	77,051.77	
	Retail	55,576.34	
	Car parking spaces	53,500.00	1,641
	Grand-total:	**186,128.11**	**1,641**

3. Our calculation has been made on the following basis and analysis:

    a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these properties ranges from RMB11,000 to RMB12,000 for office units, ranges from RMB25,000 to RMB30,000 for retail units, and RMB144,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

    b. For commercial part, the unit rent of the comparable transactions basis ranges from RMB3.3 to RMB3.9 per sq.m. per day, and we have applied a market rent of RMB3.1 per sq.m. per day.

       For office part, the unit rent of the comparable transactions basis ranges from RMB1.7 to RMB2.1 per sq.m. per day, and we have applied a market rent of RMB1.9 per sq.m. per day.

c. Based on our research on retail market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 4.5% as the capitalization rate for commercial part in the calculation.

Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.5% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	1,533,300,000
Group II - held for investment by the CEOVU Group	570,400,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**2,103,700,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
4.	Portions of Wuhan Innocenter (Huisheng) located at Liangshantou Village, Liufang Street, Jiangxia District, Wuhan, Hubei Province, the PRC (武漢研創中心(滙盛))	Wuhan Innocenter (Huisheng) occupies a parcel of land with a site area of approximately 110,175.50 sq.m. which will be developed into a business park accommodates office and ancillary facilities in three phases. Phases I and II of Wuhan Innocenter (Huisheng) occupy a total apportioned land area of approximately 97,158.29 sq.m. and were completed between 2012 and 2013; Phase III of Wuhan Innocenter (Huisheng) occupies an apportioned land area of approximately 13,017.21 sq.m. which is vacant for future development. The property comprises: (i) Building nos.1 to 3, 4 and 6 of Phase I with a total gross floor area of approximately 8,480.61 sq.m. and Building nos. 14 to 20, 22, 23, 25 to 28 and 29 of Phase II with a total gross floor area of approximately 49,139.74 sq.m. ("Part A"); and (ii) the construction work of Phase III of Wuhan Innocenter (Huisheng) has not commenced ("Part B"). The land use rights of the property have been granted for a term expiring on 6 July 2057 for industrial use.	Portions of Part A are occupied by various tenants, while the rest of Part A is vacant or occupied by the CEOVU Group. Part B is vacant for future development.	351,900,000 100% Interest attributable to the CEOVU Group: 351,900,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	Nos. of car parking *(lots)*
Phase I	Office	7,597.09	
	Ancillary	883.52	
	Sub-total:	**8,480.61**	
Phase II	Office	39,580.32	
	Car parking spaces	9,559.42	288
	Sub-total:	**49,139.74**	
	Grand-total:	**57,620.35**	**288**

3. Our calculation has been made on the following basis and analysis:

    a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these properties ranges from RMB8,400 to RMB8,500 for office units, and monthly rent of RMB180 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

    b. For office part, the unit rent of the comparable transactions basis ranges from RMB1.27 to RMB1.33 per sq.m. per day, and we have applied a market rent of RMB1.20 per sq.m. per day.

    c. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.0% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	177,000,000
Group II - held for investment by the CEOVU Group	170,300,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	4,600,000
Grand-total:	**351,900,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
5.	Portions of Wuhan Innocenter (Minghong) located at Liangshantou Village, Liufang Street, Jiangxia District, Wuhan, Hubei Province, the PRC (武漢研創中心(鳴鴻))	Wuhan Innocenter (Minghong) occupies a parcel of land with a site area of approximately 85,613.97 sq.m. which will be developed into a business park accommodates office and ancillary facilities in two phases. Phase I of Wuhan Innocenter (Minghong) occupies an apportioned land area of approximately 72,105.96 sq.m. and was completed between 2012 and 2013; Phase III of Wuhan Innocenter (Minghong) occupies an apportioned land area of approximately 13,508.01 sq.m. which is vacant for future development. The property comprises: (i) Building nos. 13, 15, 17 to 19 and 21 of Phase I with a total gross floor area of approximately 25,281.90 sq.m. ("Part A"); and (ii) the construction work of Phase III of Wuhan Innocenter (Minghong) has not commenced ("Part B"). The land use rights of the property have been granted for a term expiring on 6 July 2057 for industrial use.	Portions of Part A are occupied by various tenants, while the rest of Part A is vacant or occupied by the CEOVU Group. Part B is vacant for future development.	161,400,000 100% Interest attributable to the CEOVU Group: 161,400,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*
Phase I	Office	22,630.65
	Ancillary	2,651.25
	Grand-total:	**25,281.90**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these properties ranges from RMB8,400 to RMB8,500 for office units. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For office part, the unit rent of the comparable transactions basis ranges from RMB1.27 to RMB1.33 per sq.m. per day, and we have applied a market rent of RMB1.20 per sq.m. per day.

   c. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.0% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	59,200,000
Group II - held for investment by the CEOVU Group	97,500,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	4,700,000
Grand-total:	**161,400,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
6.	Units 1-101, 1-201, 1-301 and 1-401, Block 1, Joint Enterprise Center, North Harbour Industrial Park (Lido Technology), No. 17 Wenzhi Street, Hongshan District, Wuhan, Hubei Province, the PRC (北港工業園(麗島科技))	North Harbour Industrial Park (Lido Technology) is a business park which accommodates office completed in 2007. The property comprises Units 1-101, 1-201, 1-301 and 1-401 of a 4-storey office building with a total gross floor area of 3,683.1 sq.m.	The property is occupied by various tenants.	30,340,000 100% Interest attributable to the CEOVU Group: 30,340,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. Our calculation has been made on the following basis and analysis:

   a. For office part, the unit rent of the comparable transactions basis ranges from RMB1.87 to RMB2.00 per sq.m. per day, and we have applied a market rent of RMB1.53 per sq.m. per day.

   b. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 7.0% as the capitalization rate for office part in the calculation.

   c. As advised by the CEOVU Group, Unit 1-101 of the property with a total gross floor area of 784.39 sq.m. has been pre sold to a third party at a consideration of RMB7,840,000 and has not been virtually transferred. In arriving at our opinion on the reference value of the property, we have taken into account the contracted prices of such portion.

3. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** ***(RMB)***
Group I - held for owner occupation or for sale by the CEOVU Group	7,840,000
Group II - held for investment by the CEOVU Group	22,500,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**30,340,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
7.	Units 1-101, 1-201, 1-301, 1-301 overhead layer and 2-301, 2-401, 2-501, Block 2, Joint Enterprise Center, North Harbour Industrial Park (Lido Property), No. 17 Wenzhi Street, Hongshan District, Wuhan, Hubei Province, the PRC (北港工業園(麗島物業))	North Harbour Industrial Park (Lido Property) is a business park which accommodates office completed in 2007. The property comprises 4 office units on Levels 1 to 5 of a 5-storey office building with a total gross floor area of 3,545.60 sq.m.	The property is occupied by various tenants.	25,300,000 100% Interest attributable to the CEOVU Group: 25,300,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. Our calculation has been made on the following basis and analysis:

   a. For office part, the unit rent of the comparable transactions basis ranges from RMB1.87 to RMB2.00 per sq.m. per day, and we have applied a market rent of RMB1.53 per sq.m. per day.

   b. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 7.0% as the capitalization rate for office part in the calculation.

3. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date ***(RMB)***
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	25,300,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**25,300,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
8.	80 underground car parking spaces, a clubhouse and retail outlet No. C-18, Lido Garden, No. 497 Luoshi Road, Hongshan District, Wuhan, Hubei Province, the PRC (麗島花園)	Lido Garden is a residential development completed in 2007. The property comprises a clubhouse and a retail outlet of Lido Garden with a total gross floor area of 6,831.98 sq.m. and 80 underground car parking spaces. The land use rights of the property have been granted for a term expiring on 28 April 2069 for residential use.	The property is currently vacant.	51,400,000 100% Interest attributable to the CEOVU Group: 51,400,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. Our calculation has been made on the following basis and analysis:

    a. For commercial part, the unit rent of the comparable transactions basis ranges from RMB1.78 to RMB1.9 per sq.m. per day, and we have applied a market rent of RMB1.61 per sq.m. per day.

    b. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of commercial units of the property, we have applied a market yield of 5.0% as the capitalization rate for commercial part in the calculation.

3. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** ***(RMB)***
Group I - held for owner occupation or for sale by the CEOVU Group	14,400,000
Group II - held for investment by the CEOVU Group	37,000,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**51,400,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
9.	Retail outlet No.6-1-1 and 53 underground car parking spaces, Lido 2046, No. 175 Xiongchu Road, Hongshan District, Wuhan, Hubei Province, the PRC (麗島2046)	Lido 2046 is a residential development completed in 2016. The property comprises a retail outlet with a total gross floor area of approximately 520.42 sq.m. and 53 underground car parking spaces of Lido 2046. The land use rights of the property have been granted for a term expiring on 8 February 2080 for residential use.	The property is currently vacant.	22,500,000 100% Interest attributable to the CEOVU Group: 22,500,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date ***(RMB)***
Group I - held for owner occupation or for sale by the CEOVU Group	22,500,000
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**22,500,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
10.	258 underground car parking spaces, Up Mason, No. 318 Minzu Avenue, East Lake Hi-Tech Development Zone, Wuhan, Hubei Province, the PRC (麗島美生)	Up Mason is a residential development completed in 2013. The property comprises 258 underground car parking spaces of Up Mason. The land use rights of the property have been granted for a term expiring on 11 July 2077 for residential use.	The property is currently vacant.	19,600,000 100% Interest attributable to the CEOVU Group: 19,600,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	19,600,000
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**19,600,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
11.	Portions of Huangshi OVU Science and Technology City, Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province, the PRC (黃石聯合科技城)	Huangshi OVU Science and Technology City occupies a parcel of land with total site area of approximately 175,337 sq.m., which will be developed into a business park in three phases. Phases I and II occupy a total apportioned land area of approximately 110,131.76 sq.m., portions of Phase I have been completed in 2014. Phase III occupies an apportioned land area of approximately 65,205.24 sq.m. which is vacant for future development. The property comprises: (i) 64 office units, ancillary and underground area of Phase I with a total gross floor area of approximately 43,318.47 sq.m. ("Part A"); (ii) the whole Phase II of Huangshi OVU Science and Technology City with a total planned gross floor area of approximately 37,710.53 sq.m. ("Part B") is under construction; and (iii) the construction work of Phase III occupying an apportioned land area of approximately 65,205.24 sq.m. has not commenced ("Part C"). As advised by the CEOVU Group, Part B of the property is scheduled to be completed in October 2020. The total construction cost of Part B is estimated to be approximately RMB144,000,000, of which RMB110,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 9 March 2063 for industrial use.	Portions of Part A are occupied by various tenants, while the rest of Part A is vacant or occupied by the CEOVU Group. Part B is currently under construction. Part C is vacant for future development.	338,000,000 100% Interest attributable to the CEOVU Group: 338,000,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*
Phase I	Office	38,519.76
	Ancillary and underground area	4,798.71
	Grand-total:	**43,318.47**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these properties ranges from RMB4,280 to RMB5,631 for high-rise office buildings and unit price of RMB10,000 for office villas. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For office part, the unit rent of the comparable transactions basis ranges from RMB1.03 to RMB1.22 per sq.m. per day, and we have applied a market rent of RMB0.89 per sq.m. per day.

   c. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 5.0% as the capitalization rate for office part in the calculation.

4. As advised by the CEOVU Group, Phase III occupies an apportioned land area of approximately 65,205.24 sq.m. and is vacant for future development. The construction work of Phase III has not commenced.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	171,900,000
Group II - held for investment by the CEOVU Group	35,700,000
Group III - held under development by the CEOVU Group	117,600,000
Group IV - held for future development by the CEOVU Group	12,800,000
Grand-total:	**338,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
12.	Portions of Lido Top View, No. 76 Hangzhou West Road, Huangshi Economic Development Zone, Huangshi, Hubei Province, the PRC (麗島半山華府)	The property comprises various retail and residential units with a total gross floor area of approximately 16,912.34 sq.m., which was completed between 2014 and 2016. The land use rights of the property have been granted for four concurrent terms expiring on 30 August 2045 and 30 November 2046 for commercial use and 30 August 2075 and 30 November 2076 for residential use respectively.	Portions of the property are occupied by various tenants, while the rest of the property is vacant or occupied by the CEOVU Group.	162,900,000 100% Interest attributable to the CEOVU Group: 162,900,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*
Portions of Lido Top View	Retail	15,754.85
	Residential	1,157.49
	Grand-total:	**16,912.34**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB9,000 to RMB10,000 for residential units, and ranges from RMB15,000 to RMB16,000 for retail units. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For commercial part, the unit rent of the comparable transactions basis ranges from RMB1.9 to RMB2.3 per sq.m. per day, and we have applied a market rent of RMB2.1 per sq.m. per day.

      For office part, the unit rent of the comparable transactions basis ranges from RMB1.0 to RMB1.2 per sq.m. per day, and we have applied a market rent of RMB0.9 per sq.m. per day.

c. Based on our research on retail market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 3.75% as the capitalization rate for commercial part in the calculation.

Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 5.0% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	15,600,000
Group II - held for investment by the CEOVU Group	147,300,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**162,900,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
13.	Portions of Ezhou OVU Science and Technology City, Gaoxin Third Road, Hubei Gedian High-Technology Industrial Development Zone, Ezhou, Hubei Province, the PRC (鄂州光谷聯合科技城)	Ezhou OVU Science and Technology City occupies 3 parcels of land with total site area of approximately 413,092.40 sq.m., which will be developed into a business park in three blocks. Block C and Block D of Ezhou OVU Science and Technology City occupy 2 parcels of land with total site area of approximately 271,451.70 sq.m. and were completed between 2013 and 2019. Block B of Ezhou OVU Science and Technology City occupies a parcel of land with total site area of approximately 141,640.70 sq.m., of which the apportioned land area of approximately 22,420.80 sq.m. is under construction and the remaining portion is vacant for future development. The property comprises: (i) Building nos. C2-3-2, C6-2, C7-2 and C7-3 of Block C with a total gross floor area of approximately 23,877.86 sq.m. and Building nos. D1-3-1, D1-1-3 and D1-1-1 of Block D with a total gross floor area of approximately 13,755.49 sq.m. ("Part A"); (ii) Block B occupies an apportioned land area of approximately 22,420.80 sq.m. and have a total planned gross floor area of approximately 33,064.66 sq.m. ("Part B"); and (iii) the construction work of Phase III occupying an apportioned land area of approximately 119,219.90 sq.m. has not commenced ("Part C"). As advised by the CEOVU Group, Part B of the property is scheduled to be completed in October 2020. The total construction cost of Part B is estimated to be approximately RMB57,000,000, of which RMB30,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 24 March 2063 for industrial use.	Part A is vacant or occupied by the CEOVU Group. Part B is currently under construction. Part C is vacant for future development.	270,800,000 80% Interest attributable to the CEOVU Group: 216,640,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*
Block C	Office	20,193.64
	Workshop	3,684.22
	Sub-total:	**23,877.86**
Block D	Office	10,576.44
	Ancillary and underground area	3,179.05
	Sub-total:	**13,755.49**
	Grand-total:	**37,633.35**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of RMB5,700 for office units and unit price of RMB3,900 for workshop. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

4. As advised by the CEOVU Group, Part C occupies an apportioned land area of approximately 119,219.90 sq.m. The construction work of Part C has not commenced.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	199,800,000
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	37,000,000
Group IV - held for future development by the CEOVU Group	34,000,000
Grand-total:	**270,800,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
14.	Portions of Huanggang OVU Science and Technology City, northeastern corner of Xingang North Road and Zhonghuan Road, Huangzhou District, Huanggang, Hubei Province, the PRC (黃岡光谷聯合科技城)	Huanggang OVU Science and Technology City occupies 3 parcels of land with total site area of approximately 194,685.30 sq.m., which will be developed into a business park in three phases. Phases I and II occupy 2 parcels of land with a site area of approximately 75,479.20 sq.m. and 49,431.30 sq.m. respectively. Portions of Phases I and II were completed between 2017 and 2018. Phase III occupies a parcel of land with a site area of approximately 69,774.80 sq.m. which is vacant for future development. The property comprises: (i) Building A4, S1, B1, B1a, B2 and no.101 of Building G3 of Phase I together having a total gross floor area of approximately 14,933.62 sq.m. and no.101 of Building D20 of Phase II with a total gross floor area of approximately 4,739.76 sq.m. ("Part A"); and (ii) the rest of Phases I and II with a total apportioned land area of approximately 47,378.64 sq.m. and the whole of Phase III ("Part B"). Part B is currently vacant for future development and the construction work of it has not commenced. The land use rights of the property have been granted for a term expiring on 28 August 2065 and 27 August 2068 for industrial use.	Portions of Part A are occupied by various tenants, while the rest of Part A is vacant or occupied by the CEOVU Group. Part B is vacant for future development.	86,000,000 70% Interest attributable to the CEOVU Group: 60,200,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*
Phase I	Office	2,534.83
	Ancillary	1,130.58
	Workshop	1,137.38
	Dormitory and canteen	10,130.83
	Sub-total:	**14,933.62**
Phase II	Workshop	4,739.76
	Grand-total:	**19,673.38**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these properties ranges from RMB3,600 to RMB3,800 for office units and workshop. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For dormitory part, the unit rent of the comparable transactions basis ranges from RMB0.85 to RMB1.14 per sq.m. per day, and we have applied a market rent of RMB0.77 per sq.m. per day.

   c. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of dormitory units of the property, we have applied a market yield of 7.5% as the capitalization rate for dormitory part in the calculation.

4. As advised by the CEOVU Group, Part B comprises the rest of Phases I and II with a total apportioned land area of approximately 47,378.64 sq.m. and the whole of Phase III with a site area of approximately 69,774.80 sq.m. Part B is vacant for future development and the construction work has not commenced.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	30,800,000
Group II - held for investment by the CEOVU Group	36,200,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	19,000,000
Grand-total:	**86,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
15.	Various units and 3,615 underground car parking spaces in Phases I and II of Hefei Financial Harbour, south of Nanjing Road and west of Huizhou Avenue, Binhu New District, Hefei, Anhui Province, the PRC (合肥金融港)	Hefei Financial Harbour is a business park which accommodates office and ancillary facilities which occupies a parcel of land with a site area of approximately 114,435 sq.m. and was completed between 2016 and 2020. The property has a total gross floor area of approximately 257,432.49 sq.m. The land use rights of the property have been granted for a term expiring on 2 October 2053 for commercial and financial uses.	Portions of the property are occupied by various tenants, while the rest of the property is vacant or occupied by the CEOVU Group.	1,721,000,000 100% Interest attributable to the CEOVU Group: 1,721,000,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	Nos. of car parking *(lots)*
Phase I	Commercial	3,621.07	
	Office	23,772.46	
	Car parking spaces	41,450.91	1,099
	Sub-total:	**68,844.44**	
Phase II	Commercial	6,190.66	
	Office	124,340.19	
	Car parking spaces	58,057.20	2,516
	Sub-total:	**188,588.05**	
	Grand-total:	**257,432.49**	**3,615**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of the property of Hefei Financial Harbour ranges from RMB7,500 to RMB8,100 for office units, ranges from RMB9,000 to RMB9,400 for commercial units and RMB86,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For commercial part, the unit rent of the comparable transactions basis ranges from RMB1.4 to RMB1.6 per sq.m. per day, and we have applied a market rent of RMB1.5 per sq.m. per day.

      For office part, the unit rent of the comparable transactions basis ranges from RMB3.2 to RMB3.3 per sq.m. per day, and we have applied a market rent of RMB3.6 per sq.m. per day.

   c. Based on our research on retail market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 6.0% as the capitalization rate for commercial part in the calculation.

      Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.5% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	1,371,000,000
Group II - held for investment by the CEOVU Group	350,000,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**1,721,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
16.	Luoyang China Electronics Optics Valley Information Harbour located at the northwest side of Guanlin Road and Longshan Avenue, Luolong District, Luoyang, Henan Province, the PRC (洛陽中電光谷信息港)	Luoyang China Electronics Optics Valley Information Harbour occupies a parcel of land with a site area of approximately 101,020.69 sq.m. which will be developed into a business park accommodates office and ancillary facilities which are currently under construction. The property comprises the whole of Luoyang China Electronics Optics Valley Information Harbour with a total planned gross floor area of approximately 98,397.65 sq.m. As advised by the CEOVU Group, the property is scheduled to be completed in 2021. The total construction cost of the property is estimated to be approximately RMB276,000,000, of which RMB105,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 13 August 2068 for industrial use.	The property is currently under construction.	162,000,000 70% Interest attributable to the CEOVU Group: 113,400,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date ***(RMB)***
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	162,000,000
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**162,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
17.	Portions of Changsha Information Security Industrial Park, Yuelu Avenue, High-tech District, Changsha, Hunan Province, the PRC (長沙信息安全產業園)	Changsha Information Security Industrial Park occupies a parcel of land with a site area of approximately 129,549.79 sq.m. which will be developed into a business park accommodates office and ancillary facilities in four blocks. Block A occupies an apportioned land area of approximately 36,495.12 sq.m. and was completed in 2013; Blocks B, C and D occupy a total apportioned land area of approximately 93,054.67 sq.m. and are currently under construction. The property comprises: (i) 759 car parking spaces of Block A with a total gross floor area of approximately 25,103.93 sq.m. ("Part A"); and (ii) the whole of Blocks B, C and D with a total planned gross floor area of approximately 371,989.03 sq.m. ("Part B"). As advised by the CEOVU Group, Part B of the property is scheduled to be completed in December 2022. The total construction cost of Part B is estimated to be approximately RMB1,178,000,000, of which RMB199,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 26 December 2067 for industrial use.	Part A is vacant or occupied by the CEOVU Group. Part B is currently under construction.	415,490,000 100% Interest attributable to the CEOVU Group: 415,490,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of car parking spaces ranges from RMB100,000 to RMB120,000 per lot. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

3. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	83,490,000
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	332,000,000
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**415,490,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
18.	Shenyang Maker Corporation, No. 12 Qixing Avenue, Shenbei New District, Shenyang, Liaoning Province, the PRC (瀋陽創客公社)	Shenyang Maker Corporation occupies a parcel of land with a site area of approximately 15,422 sq.m. which will be developed into a business park accommodates office and ancillary facilities and are currently under construction. The property comprises the whole of Shenyang Maker Corporation. Upon completion, it will have a total gross floor area of approximately 47,635.09 sq.m., the details of which are set out below:	The property is currently under construction.	80,900,000 100% Interest attributable to the CEOVU Group: 80,900,000

Usage	Gross Floor Area *(sq.m.)*	Nos. of car parking *(lots)*
Residential	11,075.06	
Commercial	25,821.77	
Car parking spaces	10,738.26	300
Grand-total:	**47,635.09**	**300**

As advised by the CEOVU Group, the property is scheduled to be completed in December 2020. The total construction cost of the property is estimated to be approximately RMB237,000,000, of which RMB76,000,000 had been paid up to the Calculation Date.

The land use rights of the property have been granted for a term expiring on 17 October 2058 for commercial use.

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	80,900,000
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**80,900,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
19.	Portions of Shenyang OVU Science and Technology City, intersection of Shengjing Avenue and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province, the PRC (瀋陽光谷聯合科技城)	Shenyang OVU Science and Technology City is a business park which accommodates office and ancillary facilities in phases which occupy 3 parcels of land with a total site area of approximately 139,950 sq.m. Phases I A7-1 and A7-2 of Shenyang OVU Science and Technology City were completed in 2017. Phases I A1-A4 and B17 of Shenyang OVU Science and Technology City occupies a total apportioned land area of approximately 26,600 sq.m. and the construction work has not commenced. The property comprises: (i) portions of Phases I A7-1 and A7-2 with a total gross floor area of approximately 1,715.14 sq.m. ("Part A"); and (ii) Phases I A1-A4 and B17 with a total apportioned land area of approximately 26,600 sq.m. ("Part B"). The land use rights of the property have been granted for terms expiring on 4 February 2063, 18 February 2063 and 27 November 2065 for industrial use.	Part A is vacant or occupied by the CEOVU Group. Part B is vacant for future development.	18,100,000 100% Interest attributable to the CEOVU Group: 18,100,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	**Usage**	**Gross Floor Area** *(sq.m.)*
Phases I A7-1, A7-2	Workshop	1,715.14

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB3,400 to RMB5,000 for workshop units. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

4. As advised by the CEOVU Group, Part B comprises an apportioned land area of approximately 26,600 sq.m. and is currently vacant for future development.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	7,200,000
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	10,900,000
Grand-total:	**18,100,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
20.	Portions of Shenyang CEOVU Information Harbour, Nos. 80, 82, 84 and 86 Qixing Street, Shenbei New District, Shenyang, Liaoning Province, the PRC (瀋陽中電光谷信息港)	Shenyang CEOVU Information Harbour occupies 4 parcels of land with a total site area of approximately 223,116 sq.m. which will be developed into a business park accommodates office and ancillary facilities in four phases, of which Phase I (A, B, C) and Phase II (D) were completed between 2017 and 2019; and the construction work of the rest has not commenced. The property comprises: (i) the unsold portion of Phase I (A, B, C) and Phase II (D) with a total gross floor area of approximately 63,305.93 sq.m. ("Part A"); and (ii) the rest of Shenyang CEOVU Information Harbour with a total apportioned land area of approximately 11,443 sq.m. is vacant for future development ("Part B"). The land use right of the property have been granted for terms expiring on 13 January 2067 and 8 November 2068 for industrial use.	Portions of Part A are vacant or occupied by the CEOVU Group Part B is vacant for future development.	218,700,000 100% Interest attributable to the CEOVU Group: 218,700,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*
Phases I (A,B,C), II (D)	Workshop	63,305.93

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB3,300 to RMB3,500 for workshop units. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

4. As advised by the CEOVU Group, Part B comprises a total apportioned land area of approximately 11,443 sq.m. and is currently vacant for future development.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	214,800,000
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	3,900,000
Grand-total:	**218,700,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
21.	Portions of Qingdao OVU International Marine Information Harbour, No. 396 Emeishan Road, Huangdao District, Qingdao, Shandong Province, the PRC (青島光谷國際海洋信息港)	Qingdao OVU International Marine Information Harbour occupies a parcel of land with a site area of approximately 211,196.30 sq.m. which is developed into a business park with office and ancillary facilities in seven zones. Zone 1.1, 1.2, 1.3, 1.4, 1.5 and 1.6 occupy a total apportioned land area of approximately 172,054.72 sq.m. and has been completed between 2013 and 2020; Zone 1.7 occupies an apportioned land area of approximately 39,141.58 sq.m. which is currently under construction. The property comprises: (i) portions of Zone 1.1 to Zone 1.6 with a total gross floor area of approximately 65,955.68 sq.m. The details of Zone 1.1 to Zone 1.6 are set out in note 2; and (ii) Zone 1.7 with a total planned gross floor area of approximately 184,262.08 sq.m. As advised by the CEOVU Group, Zone 1.7 is scheduled to be completed in June 2023. The total construction cost of the property is estimated to be approximately RMB278,220,000, of which RMB43,663,061 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 21 February 2062 for industrial use.	Portions of Zone 1.1 to Zone 1.6 are occupied by various tenants, while the rest of Zone 1.1 to Zone 1.6 is vacant or occupied by the CEOVU Group. Zone 1.7 is currently under construction.	591,000,000 100% Interest attributable to the CEOVU Group: 591,000,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Zone 1.1 to Zone 1.6 is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*
Zone 1.1 to Zone 1.6	Office	62,792.20
	Ancillary	3,163.48
	Grand-total:	**65,955.68**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB7,929 to RMB8,480 for office units. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For commercial part, the unit rent of the comparable transactions basis ranges from RMB1.6 to RMB2.0 per sq.m. per day, and we have applied a market rent of RMB1.8 per sq.m. per day.

      For office part, the unit rent of the comparable transactions basis ranges from RMB1.5 to RMB1.8 per sq.m. per day, and we have applied a market rent of RMB1.6 per sq.m. per day.

      For residential part, the unit rent of the comparable transactions basis ranges from RMB0.7 to RMB0.9 per sq.m. per day, and we have applied a market rent of RMB0.8 per sq.m. per day.

   c. Based on our research on retail market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 6.5% as the capitalization rate for commercial part in the calculation.

      Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.25% as the capitalization rate for office part in the calculation.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	180,400,000
Group II - held for investment by the CEOVU Group	365,600,000
Group III - held under development by the CEOVU Group	45,000,000
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**591,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
22.	Portions of Qingdao Research and Innovation Center, west of Jiangshan South Road, Huangdao District, Qingdao, Shandong Province, the PRC (青島研創中心)	Qingdao Research and Innovation Center occupies 2 parcels of land with a total site area of approximately 62,285.40 sq.m. which is developed into a business park accommodates office and ancillary facilities and was completed between 2017 and 2019. The property comprises: (i) various residential units with a total gross floor area of approximately 21,857.87 sq.m. ("Part A"); and (ii) various commercial units with a total gross floor area of approximately 30,113.08 sq.m. ("Part B"). The land use right of Part B has been granted for a term expiring on 31 January 2063 for industrial use.	Portions of the property are occupied by various tenants, while the rest is vacant or occupied by the CEOVU Group.	398,600,000 100% Interest attributable to the CEOVU Group: 398,600,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. As advised by the CEOVU Group, Qingdao Research and Innovation Center is erected on the land mentioned above.

3. According to the information provided by the CEOVU Group, the gross floor area of Qingdao Research and Innovation Center is set out as below:

Part	**Usage**	**Gross Floor Area** ***(sq.m.)***
Part A	Residential	18,464.69
	Commercial	3,393.18
	Sub-total:	**21,857.87**
Part B	Office	27,630.99
	Commercial	2,482.09
	Sub-total:	**30,113.08**
	Grand-total:	**51,970.95**

4. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB7,929 to RMB8,480 for office units. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For commercial part, the unit rent of the comparable transactions basis ranges from RMB1.6 to RMB2.0 per sq.m. per day, and we have applied a market rent of RMB1.8 per sq.m. per day.

      For office part, the unit rent of the comparable transactions basis ranges from RMB1.5 to RMB1.8 per sq.m. per day, and we have applied a market rent of RMB1.6 per sq.m. per day.

      For residential part, the unit rent of the comparable transactions basis ranges from RMB0.7 to RMB0.9 per sq.m. per day, and we have applied a market rent of RMB0.8 per sq.m. per day.

   c. Based on our research on retail market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 6.5% as the capitalization rate for commercial part in the calculation.

      Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.25% as the capitalization rate for office part in the calculation.

      Based on our research on residential market of the same area of the property, considering the location, risks and characteristics of residential units of the property, we have applied a market yield of 5% as the capitalization rate for residential part in the calculation.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	59,900,000
Group II - held for investment by the CEOVU Group	338,700,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**398,600,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
23.	Qingdao Marine & Science Park, south of Changjiang West Road, west of Jiangshan South Road, north of Binhai Avenue, Huangdao District, Qingdao, Shandong Province, the PRC (青島海洋科技園)	Qingdao Marine & Science Park occupies 2 parcels of land with a total site area of approximately 138,541.80 sq.m. which will be developed into a business park with office and ancillary facilities. Phase I of Qingdao Marine & Science Park occupies an apportioned land area of approximately 99,882.65 sq.m. which are currently under construction. The property comprises: (i) Phase I with a total planned gross floor area of approximately 78,704.49 sq.m.; and (ii) Phase II of Qingdao Marine & Science Park with a total apportioned land area of approximately 38,659.15 sq.m. The construction work of Phase II has not commenced. As advised by the CEOVU Group, Phase I is scheduled to be completed in 2021. The total construction cost of Phase I is estimated to be approximately RMB393,000,000, of which RMB143,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 25 November 2062 for industrial use.	Phase I is currently under construction. Phase II is vacant for future development.	146,000,000 100% Interest attributable to the CEOVU Group: 146,000,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	132,000,000
Group IV - held for future development by the CEOVU Group	14,000,000
Grand-total:	**146,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
24.	Portions of Xi'an Industrial Park located at the west of Caotanshi Road, north of Shangji Road, Xi'an, Shaanxi Province, the PRC (西安產業園)	Xi'an Industrial Park occupies 2 parcels of land with a total site area of approximately 134,537.96 sq.m., which will be developed into a business park in 4 phases. Phases Chuang I, Chuang II and Yun I occupy a total apportioned land area of approximately 111,518.09 sq.m., portions of the above phases have been completed between 2017 and 2018, while the rest is currently under construction or vacant for future development. Phase Yun II occupies a parcel of land with a site area of approximately 23,019.87 sq.m. which is vacant for future development. The property comprises: (i) Building#9,#1,#6,#7,#8 of Phase Yun I, and Building#5 of Phase Chuang I together having a total gross floor area of approximately 109,528.11 sq.m. ("Part A"); (ii) a portion of Phase Chuang II with an apportioned land area of approximately 33,713.04 sq.m. which is currently under construction ("Part B"); and (iii) the rest of Phase Yun I with an apportioned land area of approximately 62,815.17 sq.m. and Phase Yun II with an apportioned land area of approximately 23,019.87 sq.m., which are vacant for future development ("Part C"). The land use rights of the property have been granted for a term expiring on 30 October 2062 and 21 October 2062 for industrial use.	Portions of Part A is occupied by various tenants, while the rest of Part A is vacant or occupied by the CEOVU Group. Part B is currently under construction. Part C is vacant for future development.	823,930,000 73.91% Interest attributable to the CEOVU Group: 608,970,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. According to the information provided by the CEOVU Group, the gross floor area of Part A of the property is set out as below:

Part	**Usage**	**Gross Floor Area** *(sq.m.)*	**Nos. of car parking** *(lot)*
Phase Yun I	Office	51,904.48	
	Commercial	838.80	
	4S shop	7,680.73	
	Sub-total:	**60,424.01**	
Phase Chuang I	Office	17,212.40	
Phases Chuang I &Yun I	Car parking spaces	31,891.70	712
	Grand-total:	**109,528.11**	**712**

3. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB6,029 to RMB6,700 for office units, and RMB100,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For commercial part, the unit rent of the comparable transactions basis ranges from RMB2.2 to RMB3.17 per sq.m. per day, and we have applied a market rent of RMB2.27 per sq.m. per day.

      For office part, the unit rent of the comparable transactions basis ranges from RMB1.23 to RMB1.5 per sq.m. per day, and we have applied a market rent of RMB1.3 per sq.m. per day.

      For 4s shop part, the unit rent of the comparable transactions basis ranges from RMB4 to RMB4.1 per sq.m. per day, and we have applied a market rent of RMB4.09 per sq.m. per day.

   c. Based on our research on retail market of the same area of the property, considering the location, risks and characteristics of retail units of the property, we have applied a market yield of 7% as the capitalization rate for commercial part in the calculation.

      Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 7% as the capitalization rate for office part in the calculation.

      Based on our research on residential market of the same area of the property, considering the location, risks and characteristics of residential units of the property, we have applied a market yield of 7% as the capitalization rate for residential part in the calculation.

4. As advised by the CEOVU Group, Part C comprises an apportioned land area of approximately 62,815.17 sq.m. of Phase Yun I and an apportioned land area of approximately 23,019.87 sq.m. of Phase Yun II, which are vacant for future development and the construction work has not commenced.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	381,150,000
Group II - held for investment by the CEOVU Group	305,880,000
Group III - held under development by the CEOVU Group	109,000,000
Group IV - held for future development by the CEOVU Group	27,900,000
Grand-total:	**823,930,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
25.	Portions of Chengdu Chip Valley, Group 1 of Fengle Community, Dongsheng Street, Group 7 of Guangrong Community, Peng Town, Shuangliu District, Chengdu, Sichuan Province, the PRC (成都芯谷)	Chengdu Chip Valley occupies 7 parcels of land with a total site area of approximately 283,792.56 sq.m. which will be developed into an industrial park accommodates office and ancillary facilities in two phases. Block A of Phase I occupies an apportioned land area of approximately 28,956.36 sq.m. which was completed in 2020. Block B of Phase I occupies an apportioned land area of approximately 31,074.13 sq.m. which is currently under construction, and Block C of Phase I occupies an apportioned land area of approximately 30,913.82 sq.m. which is vacant for future development. Phase II of Chengdu Chip Valley occupies an apportioned land area of approximately 192,848.25 sq.m. which is vacant for future development. The property comprises: (i) various office units of Block A with a total gross floor area of approximately 29,241.67 sq.m. and 239 car parking spaces of Block A with a total gross floor area of approximately 8,545.61 sq.m. ("Part A"); (ii) Block B of Phase I of Chengdu Chip Valley with a total planned gross floor area of approximately 63,743.19 sq.m. ("Part B"); and (iii) Block C of Phase I with a total planned gross floor area of approximately 59,547.75 sq.m. and the land of Phase II of Chengdu Chip Valley ("Part C"). As advised by the CEOVU Group, Part B of the property is scheduled to be completed in October 2020. The total construction cost of Part B is estimated to be approximately RMB260,730,000, of which RMB52,690,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for various terms expiring on 24 May 2058 and 20 December 2058 respectively for commercial use.	Portions of Part A are occupied by various tenants, while the rest of Part A is vacant or occupied by the CEOVU Group. Part B is currently under construction. Part C is vacant for future development.	949,100,000 80% Interest attributable to the CEOVU Group: 759,280,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB9,000 to RMB11,000 for office units, and ranges from RMB80,000 to RMB85,000 per lot for car parking space. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For office part, the unit rent of the comparable transactions basis ranges from RMB1.5 to RMB1.7 per sq.m. per day, and we have applied a market rent of RMB1.3 per sq.m. per day.

      For car parking spaces part, the unit rent of the comparable transactions basis ranges from RMB10.0 to RMB11.7 per lot per day, and we have applied a market rent of RMB8.3 per lot per day.

   c. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 6.0% as the capitalization rate for office part in the calculation.

      Based on our research on car parking space market of the same area of the property, considering the location, risks and characteristics of parking units of the property, we have applied a market yield of 4.0% as the capitalization rate for car parking spaces part in the calculation.

3. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	300,000
Group II - held for investment by the CEOVU Group	223,900,000
Group III - held under development by the CEOVU Group	155,000,000
Group IV - held for future development by the CEOVU Group	569,900,000
Grand-total:	**949,100,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
26.	Shanghai Logistic Enterprise Community, Lot 114/1, 101 Street, Songjiang Industrial Park, Songjiang District, Shanghai, the PRC (上海物聯港)	Shanghai Logistic Enterprise Community occupies a parcel of land with a site area of approximately 83,646.50 sq.m. which will be developed into a business park accommodates office and ancillary facilities in two phases. Phase I occupies an apportioned land area of approximately 71,557.20 sq.m. and is currently under construction; Phase II occupies an apportioned land area of approximately 12,089.30 sq.m. which is vacant for future development. The property comprises: (i) Phase I is currently under construction and have a total planned gross floor area of approximately 190,747.46 sq.m.; and (ii) Phase II occupies an apportioned land area of approximately 12,089.30 sq.m. which is vacant for future development. As advised by the CEOVU Group, Phase I of the property is scheduled to be completed in December 2021. The total construction cost of Phase I is estimated to be approximately RMB913,000,000, of which RMB81,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 27 May 2062 for scientific and research uses.	Phase I of the property is currently under construction. Phase II of the property is vacant for future development.	215,000,000 100% Interest attributable to the CEOVU Group: 215,000,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	198,000,000
Group IV - held for future development by the CEOVU Group	17,000,000
Grand-total:	**215,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
27.	Portions of Wenzhou Industrial Park, Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou, Zhejiang Province, the PRC (温州產業園)	Wenzhou Industrial Park occupies 2 parcels of land with a site area of approximately 168,610.36 sq.m. which will be developed into an industrial park accommodates office and ancillary facilities in four phases. Phases I and II occupy a total apportioned land area of approximately 77,951.32 sq.m. and were completed in September 2019. Phases III and IV occupy a total apportioned land area of approximately 90,659.04 sq.m. which is currently under construction. The property comprises: (i) various office units of Phases I and II with a total gross floor area of approximately 120,655.39 sq.m. ("Part A"); and (ii) Phases III and IV with a total planned gross floor area of Wenzhou Industrial Park approximately 154,903.45 sq.m. ("Part B"). As advised by the CEOVU Group, (i) Phase III of Part B is scheduled to be completed in December 2020. The total construction cost for Phase III of Part B is estimated to be approximately RMB39,650,000, of which RMB30,270,000 had been paid up to the Calculation Date; and (ii) Phase IV of Part B is scheduled to be completed in June 2021. The total construction cost for Phase IV of Part B is estimated to be approximately RMB374,210,000, of which RMB30,160,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term expiring on 25 April 2066 for industrial use.	Part A is vacant or occupied by the CEOVU Group. Part B is currently under construction.	252,660,000 95% Interest attributable to the CEOVU Group: 240,030,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provide by the CEOVU Group. The unit price of these properties ranges from RMB3,450 to RMB7,520 for office units. Appropriate adjustment and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

3. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	129,660,000
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	123,000,000
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**252,660,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
28.	Hainan Resort Software Community, Southern section situated at 0.7km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province, the PRC (海南生態軟件園)	Hainan Resort Software Community occupies 16 parcels of land with a total site area of approximately 1,052,090.87 sq.m. which will be developed into a software park accommodates business building, office and ancillary facilities in two phases. Phase I occupies an apportioned land area of approximately 405,317.38 sq.m. which was completed in various stages between 2010 and 2017. Phase II of Hainan Resort Software Community occupies an apportioned land area of approximately 646,773.49 sq.m. which is vacant for future development. The property comprises: (i) various office and commercial units of Phase I with a total gross floor area of approximately 196,540.58 sq.m. and 1,248 car parking spaces with a total gross floor area of approximately 47,696.95 sq.m. ("Part A"); and (ii) Phase II with a total site area of approximately 287,461.98 sq.m. which is vacant for future development ("Part B"). The land use rights of the property have been granted for various terms expiring on 20 May 2050, 20 June 2050, 1 November 2051, 30 October 2053, 30 May 2059 and 18 May 2055 for commercial use.	Portions of Part A are occupied by various tenants, while the rest of Part A is vacant or occupied by the CEOVU Group. Part B is vacant for future development.	1,989,700,000 10% Interest attributable to the CEOVU Group: 198,970,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. Our calculation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences of the property provided by the CEOVU Group. The unit price of these properties ranges from RMB8,000 to RMB11,000 for office units, ranges from RMB8,500 to RMB9,500 for residential units, ranges from RMB15,000 to RMB20,000 for commercial units, and ranges from RMB30,000 to RMB45,000 per lot for car parking space. Appropriate adjustments and analysis are considered to the differences in size and other characters between the sold and unsold property to arrive at an assumed unit rate for the property.

   b. For office part, the unit rent of the comparable transactions basis ranges from RMB1.6 to RMB2.0 per sq.m. per day, and we have applied a market rent ranges from RMB1.1 to RMB1.3 per sq.m. per day.

   For commercial part, the unit rent of the comparable transactions basis ranges from RMB1.3 to RMB2.2 per sq.m. per day, and we have applied a market rent of RMB2.3 per sq.m. per day.

   For car parking spaces part, the unit rent of the comparable transactions basis ranges from RMB5.0 to RMB6.7 per lot per day, and we have applied a market rent of RMB5.0 per lot per day.

   c. Based on our research on office market of the same area of the property, considering the location, risks and characteristics of office units of the property, we have applied a market yield of 5.75% as the capitalization rate for office part in the calculation.

   Based on our research on commercial market of the same area of the property, considering the location, risks and characteristics of commercial units of the property, we have applied a market yield of 5.75% as the capitalization rate for commercial part in the calculation.

   Based on our research on car parking space market of the same area of the property, considering the location, risks and characteristics of car parking spaces of the property, we have applied a market yield of 4.0% as the capitalization rate for car parking spaces in the calculation.

3. As advised by the CEOVU Group, Part B occupies an apportioned land area of approximately 287,461.98 sq.m.

4. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** ***(RMB)***
Group I - held for owner occupation or for sale by the CEOVU Group	1,064,300,000
Group II - held for investment by the CEOVU Group	696,900,000
Group III - held under development by the CEOVU Group	–
Group IV - held for future development by the CEOVU Group	228,500,000
Grand-total:	**1,989,700,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
29.	Ningbo Hangzhouwan Center, Blue Coast, Hangzhouwan New District, Ningbo, Zhejiang Province, the PRC (寧波杭州灣中心、蔚藍海岸)	Ningbo Hangzhouwan Center, Blue Coast occupies 9 parcels of land with a total site area of approximately 403,898.00 sq.m. which will be developed into an information port accommodates residential building, commercial building, office and ancillary facilities in six phases. Phase I of Ningbo Hangzhouwan Center, Blue Coast, occupies an apportioned land area of approximately 70,607.00 sq.m. is currently under construction. Phase II apportioned land area of approximately 104,768.00 sq.m. is currently under construction. Phase III occupies an apportioned land area of approximately 99,725.00 sq.m. which is currently under construction. Phase IV occupies an apportioned land area of approximately 95,339.25 sq.m. which is currently under construction. Phases V and VI occupy apportioned lands area of approximately 24,807.00 sq.m. and 8,651.75 sq.m. respectively. The property comprises: (i) various residential, office and commercial units of Phases I to IV with a total planned gross floor area of approximately 1,197,888.47 sq.m. are currently under construction ("Part A"); and (ii) Phases V and VI are vacant for future development and have a total planned gross floor area of approximately 218,548.94 sq.m. ("Part B").	Part A is currently under construction. Part B is vacant for future development.	3,950,000,000 31% Interest attributable to the CEOVU Group: 1,224,500,000

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
		As advised by the CEOVU Group, (a) Phase I with a total planned gross floor area of approximately 295,488.68 sq.m. is scheduled to be completed in December 2021. The total construction cost of Phase I is estimated to be approximately RMB1,467,000,000, of which RMB344,000,000 had been paid up to the Calculation Date; (b) Phase II with a total planned gross floor area approximately 269,489.82 sq.m. is scheduled to be completed in May 2021. The total construction cost of Phase II is estimated to be approximately RMB1,088,000,000, of which RMB391,000,000 had been paid up to the Calculation Date; (c) Phase III is currently under construction and have a total planned gross floor area of approximately 277,888.89 sq.m. is scheduled to be completed in June 2022. The total construction cost of Phase III is estimated to be approximately RMB1,252,000,000, of which RMB209,000,000 had been paid up to the Calculation Date; and (d) Phase IV with a total planned gross floor area of approximately 355,021.08 sq.m. is scheduled to be completed in September 2021. The total construction cost of Phase IV is estimated to be approximately RMB1,413,600,000, of which RMB404,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a various term expiring on 28 November 2057 and 11 June 2058 for commercial use; for a various term expiring on 28 November 2087 and 11 June 2088 for residential use.		

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	3,724,300,000
Group IV - held for future development by the CEOVU Group	225,700,000
Grand-total:	**3,950,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
30.	Western Zhigu Park, east of Gaoke Third Road, south of Beiwei Second Road, west of Gaoke Second Road and north of Xinghuo Avenue in Xianyang High-Tech Industrial Development Zone, Qindu District, Xianyang, Shaanxi Province, the PRC (西部智谷產業園)	Western Zhigu Park occupies a parcel of land with a total site area of approximately 173,134.57 sq.m. which will be developed into a business park with office and ancillary facilities which are currently under construction. The property comprises the whole of Western Zhigu Park with a total planned gross floor area of approximately 180,234.18 sq.m. As advised by the CEOVU Group, the property is scheduled to be completed in 2021. The total construction cost of the property is estimated to be approximately RMB543,000,000, of which RMB146,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term of 50 years for industrial use.	The property is currently under construction.	248,000,000 50% Interest attributable to the CEOVU Group: 124,000,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	Reference value in existing state as at the Calculation Date ***(RMB)***
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	248,000,000
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**248,000,000**

PROPERTY REFERENCE VALUE CALCULATION SHEET

No.	Property [1]	Description and tenure [1]	Particulars of occupancy [1]	Reference value in existing state as at the Calculation Date *RMB*
31.	Zhuhai Hengqin Zhishuyun, east of Fubang Road, south of Xingsheng Third Road, west of Fuguo Road and north of Xingsheng Second Road, Hengqin New District, Zhuhai, Guangdong Province, the PRC (珠海橫琴智數雲)	Zhuhai Hengqin Zhishuyun occupies a parcel of land with a site area of approximately 11,913.82 sq.m. which will be developed into an office building with ancillary facilities which are currently under construction. The property comprises the whole of Zhuhai Hengqin Zhishuyun with a total planned gross floor area of approximately 67,977.00 sq.m. As advised by the CEOVU Group, the property is scheduled to be completed in 2022. The total construction cost of the property is estimated to be approximately RMB913,000,000, of which RMB81,000,000 had been paid up to the Calculation Date. The land use rights of the property have been granted for a term of 40 years expiring on 6 April 2057 for business finance and other commercial services uses.	The property is currently under construction.	465,000,000 30% Interest attributable to the CEOVU Group: 139,500,000

Notes:

1. Information and descriptions are provided by the CEOVU Group.

2. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the reference value of each group as at the Calculation Date in its existing state is set out as below:

Group	**Reference value in existing state as at the Calculation Date** *(RMB)*
Group I - held for owner occupation or for sale by the CEOVU Group	–
Group II - held for investment by the CEOVU Group	–
Group III - held under development by the CEOVU Group	465,000,000
Group IV - held for future development by the CEOVU Group	–
Grand-total:	**465,000,000**

RESPONSIBILITY STATEMENT

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

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, (1) Mr. Dong Haoran, a non-executive Director and the Chairman of the Board, had personal interest (long position) in 4,672,420 shares of the Company; and (2) Ms. Liu Jinmei, a non-executive Director, had personal interest (long position) in 197,250 shares of the Company. Save as disclosed herein, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to notify the Company and the Stock Exchange.

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

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

Since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Number or attributable number of shares of the Company interested	Percentage or attributable percentage of issued share capital of the Company
CEC (BVI)	812,500,000	40.03%
Huada Semiconductor *(Note 1)*	1,206,180,000	59.42%
CEC *(Note 2)*	1,206,180,000	59.42%

All the interests disclosed above represent long position in the shares of the Company.

Notes:

(1) Huada Semiconductor holds 100% equity interest in CEC (BVI). Pursuant to the SFO, Huada Semiconductor is deemed to be interested in the 812,500,000 shares of the Company held by CEC (BVI).

(2) CEC holds 100% equity interest in Huada Semiconductor. Pursuant to the SFO, CEC is deemed to be interested in the shares of the Company held by Huada Semiconductor.

Save as disclosed above, there is no person known to the Board or the chief executive of the Company who, as at the Latest Practicable Date, had, or was deemed to have, an interest or short position in the shares or the underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any option in respect of such capital.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

EXPERTS AND CONSENTS

The following are the qualifications of the experts whose name/advices and/or reports are contained in this circular:

Name	Qualification
APA	Property valuer
PricewaterhouseCoopers	Certified Public Accountants
Shenwan	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Somerley	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of APA, PricewaterhouseCoopers, Shenwan and Somerley (collectively the ''Experts'') has given and has not withdrawn its written consent to the issue of this circular with the inclusion of, where applicable, its letter(s) of advices and/or report(s) and/or references to its name in the form and context in which they respectively appear.

Each of the Experts was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

Since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, none of the Experts had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Dong Haoran, a non-executive Director and the Chairman of the Board, is the chairman of Huada Semiconductor and a director of CEC Chitsing Technology Co., Ltd. Mr. Yu Jian, an executive Director and the Deputy Chairman of the Board, is the chairman of the supervisory committee of Shanghai Belling Corp., Ltd ("Shanghai Belling"). Ms. Liu Jinmei, a non-executive Director, is a director of Shanghai Belling. Currently, Huada Semiconductor, CEC Chitsing Technology Co., Ltd and Shanghai Belling have subsidiaries or associates engaging in integrated circuits related businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

The abovementioned competing businesses are operated and managed by independent management and administration. The Board exercises independent judgment and is always acting in the interests of the Company and the Shareholders as a whole. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the competing businesses mentioned above.

Apart from the above, none of the Directors nor their respective associates is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

LITIGATION

So far as the Board is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Board to be pending or threatened against any member of the Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

MISCELLANEOUS

(a) The company secretary of the Company is Mr. Ng Kui Kwan. Mr. Ng is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is at Room 3403, 34th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(c) Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular and form of proxy shall prevail over its Chinese text.

MATERIAL CONTRACT

The following contract (not being contract entered into in the ordinary course of business) has been entered into by members of the Group within the two years immediately preceding the date of this circular, and is or may be material:

(a) the Sale and Purchase Agreement.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 3403, 34th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular and up to the holding of the SGM:

(a) the bye-laws of the Company;

(b) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;

(c) the letter from Somerley, the text of which is set out on pages 19 to 55 of this circular;

(d) the report from PricewaterhouseCoopers on the Unaudited Pro Forma Financial Information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(e) the property calculation report on the property interests of the CEOVU Group prepared by APA, the text of which are set out in Appendix V to this circular;

(f) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(g) the material contract referred to in the section headed "Material Contract" in this appendix;

(h) the annual reports of the Company for the financial year ended 31 December 2018 and 31 December 2019; and

(i) this circular.

CHINA ELECTRONICS HUADA TECHNOLOGY COMPANY LIMITED
中國電子華大科技有限公司

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

(Stock Code: 00085)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "Meeting") of China Electronics Huada Technology Company Limited (the "Company") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 27 October 2020 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution:

"**THAT** the sale and purchase agreement dated 30 July 2020 and entered into between CEC Media Holdings Limited ("CEC Media"), as seller and China Electronics Information Service Company Limited (中國中電國際信息服務有限公司), as purchaser (the "Sale and Purchase Agreement", details of which are set out in the circular of the Company dated 30 September 2020), in respect of the sale and purchase of 33.67% of the issued share capital of China Electronics Optics Valley Union Holding Company Limited, at a consideration of HK$1,785.00 million, be and is hereby approved, and any one director of the Company and/or CEC Media be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company and/or CEC Media which he considers necessary or expedient to give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder."

By order of the Board
China Electronics Huada Technology Company Limited
Ng Kui Kwan
Company Secretary

Hong Kong, 30 September 2020

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

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

Notes:

1. The register of members of the Company will be closed from 21 October 2020 to 27 October 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Meeting, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 October 2020.

2. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a shareholder of the Company but must be present in person at the Meeting to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. In light of the COVID-19 pandemic, shareholder of the Company may consider appointing the chairman of the Meeting as his/her proxy to vote on the resolution, instead of attending the Meeting in person. Due to concern over large-scale group gatherings during the COVID-19 pandemic, no refreshment or drink will be served at the Meeting. Any person who does not comply with the precautionary measures to be taken at the Meeting, or is subject to any HKSAR Government prescribed quarantine may be denied entry into the meeting venue.

3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the Meeting or any adjournment thereof, should he so wish and in such event, the form of proxy shall be deemed to be revoked.

4. In the case of joint registered holders of any shares, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, either personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect thereof.