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中电光谷

CEC OPTICS VALLEY

China Electronics Optics Valley Union Holding Company Limited

中電光谷聯合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 798)

**CONTINUING CONNECTED TRANSACTIONS
REVISION OF EXISTING CAPS
IN RESPECT OF THE FINANCIAL SERVICES AGREEMENT**

REVISION OF THE EXISTING CAPS

Reference is made to the announcement of the Company dated 27 September 2017 in relation to the Financial Services Agreement. Pursuant to the Financial Services Agreement, CEC Finance has agreed to provide, *inter alia*, certain deposit services to the Group. CEC Finance is a non-banking financial institution established with the approval of the CBRC.

In view of the development of the Group's business and the expected increase of idle cash and cash balances within the Group, the Directors estimate that the Existing Caps, being the maximum daily balance of funds settlement balance under the Financial Services Agreement will no longer be sufficient to meet the Group's increasing need for deposit services for the relevant period. Therefore, the Company has entered into the Supplemental Financial Services Agreement with CEC Finance on 13 November 2019 to revise the Existing Caps.

LISTING RULES IMPLICATIONS

CEC Finance is a subsidiary of CEC, while CEC indirectly holds 2,550,000,000 Shares of the Company as at the date of this announcement (representing approximately 33.67% of the issued share capital of the Company). Therefore, CEC is a substantial shareholder of the Company and CEC Finance is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the Supplemental Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

INTRODUCTION

Reference is made to the announcement of the Company dated 27 September 2017 in relation to the Financial Services Agreement. Pursuant to the Financial Services Agreement, CEC Finance has agreed to provide, inter alia, certain deposit services to the Group. CEC Finance is a non-banking financial institution established with the approval of the CBRC.

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SUPPLEMENTAL FINANCIAL SERVICES AGREEMENT

Date: 13 November 2019

Parties: (a) The Company
(b) CEC Finance

Subject matter

Pursuant to the Supplemental Financial Services Agreement, the parties have agreed to revise the Existing Caps as set out in the Financial Services Agreement, such that the maximum daily balance of the funds settlement balance (deposit amount) shall be adjusted from RMB120 million (equivalent to approximately HK\$134.148 million) to RMB160 million (equivalent to approximately HK\$178.864 million) for the year ending 26 September 2020.

Save and except the above, all other terms and condition in the Financial Services Agreement shall remain unchanged.

Accordingly, the Group shall continue to have the right to engage the financial services to be provided by CEC Finance, on a non-exclusive basis, pursuant to the terms of the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement). In respect of the

deposit services to be provided by CEC Finance under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement), the interest rate for the deposit of the Group's funds with CEC Finance shall, subject to the compliance of the relevant requirements of the People's Bank of China, be no less than interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same duration. Please refer to the announcement of the Company dated 27 September 2017 for further details of the other financial services provided by CEC Finance under the Financial Services Agreement.

Revision of the Existing Caps under the Supplemental Financial Services Agreement

The table below sets out the Existing Caps, the historical maximum daily balance of funds settlement balance (deposit amount) for the two years ended 26 September 2018 and 26 September 2019 and for the period from 27 September 2019 up to the date of this announcement, and the Revised Caps, respectively:

	From 27 September 2017 to 26 September 2018 (RMB)	From 27 September 2018 to 26 September 2019 (RMB)	From 27 September 2019 to 26 September 2020 (RMB)
Existing Caps	120 million	120 million	120 million
Historical maximum daily balance of funds settlement balance (deposit amount)	50.158333 million	61.678649 million	1.993284 million
Revised Caps	Not applicable	Not applicable	160 million

The Directors confirm that the historical maximum daily balance of funds settlement balance (deposit amount) for the two years ended 26 September 2018 and 26 September 2019 and for the period from 27 September 2019 up to the date of this announcement, respectively, has not exceeded the Existing Caps. The above Revised Caps under the Supplemental Financial Services Agreement is determined after considering (i) the historical maximum daily balance of funds settlement balance (deposit amount); (ii) the historical cash position of the Group; (iii) the future business development plan and financial requirements of the Group, pursuant to which, the Group is expected to have, from time to time, an increase in the amount of funds on hand and in turn, an increase in demand in deposits services, and (iv) the expected amount of interest income from CEC Finance.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL FINANCIAL SERVICES AGREEMENT

In view of the development of the Group's business and the expected increase of idle cash and cash balances within the Group, the Directors estimate that the Existing Caps, being the maximum daily balance of funds settlement balance under the Financial Services Agreement will no longer be

sufficient to meet the Group's increasing need for deposit services for the relevant period, and has therefore entered into the Supplemental Financial Services Agreement with CEC Finance to revise the Existing Caps.

Having considered that the interest rates offered by and/or the rates charged by the CEC Finance for the deposit services, loan services and miscellaneous financial services under the Financial Services Agreement and the Supplemental Financial Services Agreement shall be equal to or more favourable than those offered and/or charged by major commercial banks and other financial institutions in the PRC for the same type of financial services provided to the Company, the Board considers that the transactions under the Financial Services Agreement and Supplemental Financial Services Agreement has and will enable the Group to improve the efficiency of its fund utilisation. Further, as disclosed in the Company's announcement dated 27 September 2017, CEC Finance is a subsidiary of CEC and a non-banking financial institution established with the approval of the CBRC, which is principally engaged in the provision of various financial services, which are regulated by the CBRC. Together with the undertakings given by CEC Finance and the Company's adoption of the relevant internal control procedures as set out in the abovementioned announcement, the Board considers that appropriate measures have been adopted to ensure the safety of the Group's funds that will be deposited with CEC Finance.

In light of the above, the Directors (including independent non-executive Directors) consider that the Supplemental Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms or better and in the ordinary and usual course of business of the Group. The terms of the Supplemental Financial Services Agreement, the transactions contemplated thereunder, the proposed caps in respect of the deposit services are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON CEC FINANCE AND ITS ULTIMATE BENEFICIAL OWNER

CEC Finance is a company incorporated in the PRC with limited liability on 21 April 1988 and is a subsidiary of CEC, while CEC is a substantial shareholder of the Company. It is principally engaged in the provision of various financial services such as deposit services, loan services and settlement services.

CEC is committed to establishing itself as a national leader of the network safety and informatisation industry, and regards network safety as its core business and core capacity. Its main business covers network security, new display, integrated circuits, high-tech electronics, information services and other electronic information industry fields featuring national strategy, foundation and guidance. CEC is a state-owned company whose ultimate beneficial owner is the State Council of the PRC.

“CEC”	中國電子信息產業集團有限公司 (China Electronics Corporation Limited*), a state-owned company established under the laws of the PRC and a substantial shareholder of the Company
“CEC Finance”	中國電子財務有限責任公司 (China Electronics Financial Co., Ltd.*), a company established under the laws of the PRC and a subsidiary of CEC
“Company”	China Electronics Optics Valley Union Holding Company Limited, a company incorporated in Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Existing Caps”	the existing annual cap amounts for the three years ending 26 September 2020 in respect of the maximum daily balance of funds settlement balance under the Financial Services Agreement
“Financial Services Agreement”	the financial services agreement dated 27 September 2017 entered into between the Company and CEC Finance
“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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Revised Caps”	the revised annual cap amounts for the three years ending 26 September 2020 in respect of the maximum daily balance of funds settlement balance under the Supplemental Financial Services Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Financial Services Agreement” a supplemental agreement to the Financial Services Agreement dated 13 November 2019 entered into between the Company and CEC Finance in respect of the revision of the Existing Caps

“%” per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.1179 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

* *For identification purpose only*

By Order of the Board
China Electronics Optics Valley Union Holding Company Limited
Huang Liping
Chairman

Wuhan, Hubei, the People’s Republic of China
13 November 2019

As at the date of this announcement, the directors of the Company are Mr. Huang Liping and Mr. Hu Bin as executive directors; Ms. Wang Qiuju, Mr. Xiang Qunxiong, Mr. Zhang Jie and Ms. Sun Ying as non-executive directors; Mr. Qi Min, Mr. Leung Man Kit and Ms. Zhang Shuqin as independent non- executive directors.