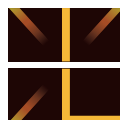


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中电光谷

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)

**DISCLOSEABLE
AND
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF ANNUAL CAPS
IN RESPECT OF THE FINANCIAL SERVICES AGREEMENT**

RENEWAL OF ANNUAL CAPS

Reference is made to the announcements of the Company dated 27 September 2017 and 13 November 2019 in relation to the Financial Services Agreement and the Supplemental 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 Supplemental Financial Services Agreement, will no longer be sufficient to meet the Group's increasing need for deposit services for the relevant period. In addition, the deposit services under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement), if not extended, will expire on 26 September 2020. Therefore, the Company has entered into the Second Supplemental Financial Services Agreement with CEC Finance on 19 May 2020 to revise the Existing Caps and set new annual caps for the deposit services for the three years ending 25 June 2023.

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 Second 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 Second Supplemental Financial Services Agreement is more than 5% but less than 25%, the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, *inter alia*, (i) details of the Second Supplemental Financial Services Agreement and the New Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps; and (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps, will be despatched to the shareholders of the Company in accordance with the requirements of Rule 14A.46(1) of the Listing Rules on or before 9 June 2020.

INTRODUCTION

Reference is made to the announcements of the Company dated 27 September 2017 and 13 November 2019 in relation to the Financial Services Agreement and the Supplemental 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 Supplemental Financial Services Agreement, will no longer be sufficient to meet the Group's increasing need for deposit services for the relevant period. In addition, the deposit services under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement), if not extended, will expire on 26 September 2020. Therefore, the Company has entered into the Second Supplemental Financial Services Agreement with CEC Finance on 19 May 2020 to revise the Existing Caps and set new annual caps for the

deposit services for the three years ending 25 June 2023. The Second Supplemental Financial Services Agreement and the New Caps are conditional upon the approval of the Independent Shareholders at the EGM.

SECOND SUPPLEMENTAL FINANCIAL SERVICES AGREEMENT

Date: 19 May 2020

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

Subject matter

Pursuant to the Second Supplemental Financial Services Agreement, conditional upon obtaining the Independent Shareholders' approval pursuant to the Listing Rules, the Existing Caps as set out in the Financial Services Agreement (as amended by the Supplemental Financial Services Agreement) shall be amended to the New Caps, such that the maximum daily balance of the funds settlement balance (deposit amount) shall be adjusted from RMB160 million (equivalent to approximately HK\$174.896 million) to RMB650 million (equivalent to approximately HK\$710.515 million) for a term of three years ending 25 June 2023.

Further, pursuant to the Second Supplemental Financial Services Agreement, the amount of credit facility in respect of the loan services to be provided by CEC Finance shall be revised to up to RMB1,500 million for a term of three years ending 25 June 2023.

Save and except the above, all other terms and condition in the Financial Services Agreement (as amended by the Supplemental 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 and the Second 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 and the Second 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 (as amended by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement).

Renewal of the annual caps under the Second 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, respectively:

	From 27 September 2017 to 26 September 2018 (RMB)	From 27 September 2018 to 26 September 2019 (RMB)	From 27 September 2019 to 19 May 2020 (RMB)
Existing Caps	120 million	120 million	160 million
Historical maximum daily balance of funds settlement balance (deposit amount)	50.158333 million	61.678649 million	150.569796 million

The table below sets out the New Caps for the three years ending 25 June 2023:

	From 26 June 2020 to 25 June 2021 (RMB)	From 26 June 2021 to 25 June 2022 (RMB)	From 26 June 2022 to 25 June 2023 (RMB)
New Caps	650 million	650 million	650 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.

Since the year 2020, the historical amount of idle cash within the Group has reached an average amount of RMB1,503.856406 million, and such idle cash was deposited with 32 financial institutions, including CEC Finance.

The above New Caps under the Second Supplemental Financial Services Agreement is determined after considering (i) the Group's historical maximum daily balance of funds settlement balance (deposit amount) deposited with CEC Finance, as well as other financial institutions; (ii) the historical and the latest 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 idle cash on hand and in turn, an increase in demand in deposits services; (iv) the expected amount of interest income from CEC Finance; (v) the possible increase in the

demand of deposit services due to the funding (which was not immediately utilised or transferred) from credit facility services from CEC Finance; and (vi) the Group's strategic cooperation with the CEC Group.

As the said loan services to be provided by CEC Finance to the Group shall be on normal commercial terms similar to or more favourable than those offered by other financial institutions for the provision of comparable services in the PRC and are for the benefit of the Group, and that the Company expects that no security over the assets of the Group will be granted in respect of such loan services, the loan service to be provided by CEC Finance to the Group under the Financial Services Agreement (as supplemented by the Second Supplemental Financial Services Agreement) will be exempt from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, no annual cap is required to be set in such regard.

REASONS FOR AND BENEFITS OF THE SECOND SUPPLEMENTAL FINANCIAL SERVICES AGREEMENT

In view of the development of the Group's business, the expected increase of idle cash and cash balances within the Group, and in order to further enhance the strategic cooperation between the Group and the CEC Group, the Existing Caps, being the maximum daily balance of funds settlement balance under the Supplemental Financial Services Agreement, will no longer be sufficient to meet the Group's increasing need for deposit services for the relevant period. The Company has therefore entered into the Second Supplemental Financial Services Agreement with CEC Finance to renew the Existing Caps.

Having considered that the interest rates offered by and/or the rates charged by CEC Finance for the deposit services, loan services and miscellaneous financial services under the Financial Services Agreement, the Supplemental Financial Services Agreement and the Second 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, the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement has and will enable the Group to improve the efficiency of its fund utilisation.

The amount of deposit currently maintained by the Group with CEC Finance is restricted by the Existing Caps of RMB160 million under the Supplemental Financial Services Agreement, and as such, when compared to the proposed New Caps, there appears to be a large increase in the annual cap. The New Caps have been proposed at an optimal level after considering the abovementioned basis to provide the Group with the flexibility in the management of its funds. Depending on its actual cash position, business development, funding requirements, and the money market conditions, the Group may or may not maintain deposits with CEC Finance up to the level of the proposed New Caps.

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 (excluding the independent non-executive Directors whose views will be given after taking into consideration the advice from Gram Capital) consider that the Second 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, and the terms of the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and 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.

Mr. Xie Qinghua (being an executive Director) and Ms. Wang Qiuju (being a non-executive Director) had abstained from voting on the relevant Board resolutions to approve the Second Supplemental Financial Services Agreement for the reason of their respective positions in the CEC Group. Save as disclosed, no other Directors had any material interest in the Second Supplemental Financial Services Agreement.

INFORMATION ON CEC FINANCE AND ITS ULTIMATE BENEFICIAL OWNER

R14A. 68(1A)CEC Finance is a company incorporated in the PRC with limited liability on 21 April 1988 and is principally engaged in the provision of various financial services such as deposit services, loan services and settlement services. CEC Finance is a non-wholly owned subsidiary of CEC and is, insofar as the Board is aware, held:

- (i) as to approximately 61.38% by CEC;
- (ii) as to approximately 25.13% by 南京中電熊貓信息產業集團有限公司 (Nanjing Panda Information Industry Group Co., Ltd.*), which is in turn ultimately owned by CEC as to approximately 79.24%, the State-Owned Assets Supervision And Administration Commission of Nanjing Municipal Government as to approximately 17.68%, and the Jiangsu Provincial People's Government as to approximately 3.08%;
- (iii) as to approximately 5.71% by 武漢中原電子集團有限公司 (Wuhan Zhongyuan Electronics Group Co., Ltd.*), which is indirectly wholly-owned by 中國長城科技集團股份有限公司 (China Greatwall Technology Group Co., Ltd.*), a company listed in the Shenzhen Stock Exchange (stock code: 000066), which is in turn controlled by CEC;
- (iv) as to approximately 4.96% by 中國電子進出口有限公司 (China Electronics Import and Export Company Limited*), which is indirectly wholly-owned by CEC;

- (v) as to approximately 2.15% by 中電智能卡有限責任公司 (China Electronics Smart Card Co., Ltd.*), which is in turn ultimately owned by CEC as to approximately 60.47%, 公安部第一研究所 (First Research Institute of the Ministry of Public Security of the People's Republic of China*) as to approximately 37.21%, and Chongqing State-owned Assets Supervision and Administration Commission as to approximately 2.33%; and
- (vi) as to approximately 0.67% by 中國中電國際信息服務有限公司 (China Electronics International Information Service Company Limited*), which is indirectly wholly-owned by CEC.

CEC is a substantial shareholder of the Company and is a state-owned company whose ultimate beneficial owner is the State Council of the PRC. It 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.

INFORMATION ON THE GROUP

The Group is an industrial park integrated operation service provider in the PRC. Leveraging on the industrial resources of CEC and based on integrated life cycle operation services of the Group, the Group constructed an industrial medium that is “State enterprise-led and innovated by joint efforts by small, medium and big enterprises” to establish an industrial resource sharing platform that carries features such as clustered industry, intelligent service and investment networks.

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 Second 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 Second Supplemental Financial Services Agreement is more than 5% but less than 25%, the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

If the Group is required to provide any security over its assets in respect of the loan services in the future, the Group will comply with the applicable requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Qi Min, Mr. Qiu Hongsheng and Ms. Chan Ching Har Eliza) has been established to advise the Independent Shareholders on whether or not the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps are conducted in the ordinary and usual course of business and on normal commercial terms or better, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps.

DESPATCH OF CIRCULAR

A circular containing, *inter alia*, (i) details of the Second Supplemental Financial Services Agreement and the New Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps; and (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps, will be despatched to the shareholders of the Company in accordance with the requirements of Rule 14A.46(1) of the Listing Rules on or before 9 June 2020.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“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 non-wholly owned subsidiary of CEC

“CEC Group”	CEC and its subsidiaries
“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
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder and the New Caps
“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 (as amended by the Supplemental Financial Services Agreement)
“Financial Services Agreement”	the financial services agreement dated 27 September 2017 entered into between the Company and CEC Finance
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps
“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

“Independent Board Committee”	a committee of the Board comprising Mr. Qi Min, Mr. Qiu Hongsheng and Ms. Chan Ching Har Eliza, being the independent non-executive Directors, to advise the Independent Shareholders on the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting at the relevant general meeting of the Company to be held to consider, and if thought fit, approve the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and the proposed New Caps
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Caps”	the renewed annual cap amounts for the three years ending 25 June 2023 in respect of the maximum daily balance of funds settlement balance under the Second Supplemental Financial Services Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Financial Services Agreement”	a supplemental agreement to the Financial Services Agreement dated 19 May 2020 entered into between the Company and CEC Finance in respect of the revision of the Existing Caps
“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
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.0931 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
Co-chairman

Wuhan, Hubei, the People's Republic of China
19 May 2020

As at the date of this announcement, the directors of the Company are Mr. Huang Liping, Mr. Xie Qinghua and Mr. Hu Bin as executive directors; Ms. Wang Qiuju, Mr. Zhang Jie and Ms. Sun Ying as non-executive directors; Mr. Qi Min, Mr. Qiu Hongsheng and Ms. Chan Ching Har Eliza as independent non-executive directors.