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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Electronics Optics Valley Union Holding Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION – RENEWAL OF ANNUAL CAPS IN RESPECT OF THE FINANCIAL SERVICES AGREEMENT AND (2) NOTICE OF EGM

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 26 of this circular.

A notice convening the EGM of China Electronics Optics Valley Union Holding Company Limited to be held at the meeting room on 10/F, Building No. 1, Higher Level, Creative Capital, 16 Ye Zhi Hu West Road, Hongshan District, Wuhan, Hubei, PRC on Wednesday, 24 June 2020 at 11:00 a.m. (or as soon as the annual general meeting of the Company convened at the same venue and date shall have been concluded or adjourned, whichever the later) is set out on pages 33 to 34 of this circular. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.ceovu.com>).

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. no later than Monday, 22 June 2020 at 11:00 a.m., Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

Date: 9 June 2020

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DEFINITIONS

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

“AAA Finance”	has the same meaning ascribed thereto in the section headed “2. Directors’ and Chief Executive’s Interests in Securities” in “Appendix – General Information” contained in this circular
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“CBIRC”	China Banking and Insurance Regulatory Commission (formerly the CBRC)
“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
“CE Huada Technology”	has the same meaning ascribed thereto in the section headed “3. Substantial Shareholders’ Interests in Securities” in “Appendix – General Information” contained in this circular
“Company”	China Electronics Optics Valley Union Holding Company Limited, a company incorporated in the 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)

DEFINITIONS

“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 SFO 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
“Latest Practicable Date”	4 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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

DEFINITIONS

“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
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of shares of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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.

In this circular, if there is any inconsistency between the Chinese names of the PRC entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The translation of company names marked with “” is for identification purposes only.*

For the purpose of this circular, 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Huang Liping *(Co-chairman and President)*

Xie Qinghua *(Co-chairman)*

Hu Bin *(Executive President)*

Registered office:

Clifton House, 75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Non-executive Directors:

Wang Qiuju

Zhang Jie

Sun Ying

Headquarters and Principal Place

of Business in the PRC:

Building No. 1, Higher Level

Creative Capital

16 Ye Zhi Hu West Road

Hongshan District

Wuhan, Hubei, PRC

Independent Non-executive Directors:

Qi Min

Qiu Hongsheng

Chan Ching Har Eliza

Principal place of business

in Hong Kong:

19/F, Cheung Kong Center

2 Queen's Road Central

Central, Hong Kong

Hong Kong, 9 June 2020

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION –
RENEWAL OF ANNUAL CAPS
IN RESPECT OF THE FINANCIAL SERVICES AGREEMENT
AND
(2) NOTICE OF EGM**

We refer to the announcement of the Company dated 19 May 2020 in relation to the renewal of annual caps in respect of the Financial Services Agreement.

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the announcements of the Company dated 27 September 2017, 13 November 2019 and 19 May 2020 in relation to the Financial Services Agreement, the Supplemental Financial Services Agreement and the Second 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 and will become effective upon the approval of the Independent Shareholders at the EGM to be held on 24 June 2020.

The purpose of this circular is to provide you with, among other things, (i) further 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 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.

2. THE 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.

LETTER FROM THE BOARD

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.

Other terms of the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement)

In addition to the abovementioned deposit services, pursuant to the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement), CEC Finance has also agreed to provide the following financial services to the Group:

(1) *Loan services*

CEC Finance shall provide certain loan services to the Group pursuant to the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement). 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 Supplemental Financial Services Agreement and 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.

For completeness, the major terms of the said loan services to be provided by CEC Finance to the Group are set out below for Shareholders' information:

- (i) the loan services to be provided by CEC Finance include the provision of loans and the grant of credit facilities within the scope allowed by the laws, regulations and policies of the PRC and in accordance with the requirements of the CBRC;

LETTER FROM THE BOARD

- (ii) the interest rate for the loan services to be provided by CEC Finance to the Group shall, subject to the compliance of the relevant requirements of the People's Bank of China in relation to the interest of loans, not exceed interest rate for the same type of loan provided by other financial institutions in the PRC to the Group for the same period; and
- (iii) CEC Finance shall provide a credit facility in respect of the loan services of up to RMB1,500 million to the Group.

(2) *Miscellaneous financial services*

CEC Finance shall also provide certain other miscellaneous financial services to the Group pursuant to the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement). In respect of the provision of such financial services by CEC Finance to the Group, as the Company expects that all the percentage ratios (if applicable) of the relevant annual fees payable by the Group to CEC Finance in aggregate will be below 0.1%, the provision of such financial services by CEC Finance to the Group will be exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For completeness, the major terms of the provision of such financial services by CEC Finance to the Group are set out below for Shareholders' information:

- (i) the miscellaneous financial services include the provision of investment and financial advisory and consultation services, provision of guarantees, provision of entrusted loans services and settlement services by CEC Finance to the Group; and
- (ii) the fees to be charged by CEC Finance for the provision of the miscellaneous financial services shall not exceed the rate for the same type of services provided by other financial institutions in the PRC to the Group in the same period.

LETTER FROM THE BOARD

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 Latest Practicable Date respectively:

	From 27 September 2017 to 26 September 2018 (RMB)	From 27 September 2018 to 26 September 2019 (RMB)	From 27 September 2019 to the Latest Practicable Date (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 Latest Practicable Date, respectively, has not exceeded the Existing Caps. The Directors also confirm that the maximum daily balance of funds settlement balance (deposit amount) for the period from 27 September 2019 up to 24 June 2020 (being the date of the EGM), will not exceed the Existing Caps.

The Group experienced an increase in revenue from approximately RMB3.00 billion for the year ended 31 December 2018 to approximately RMB3.38 billion for the year ended 31 December 2019, representing an increase of approximately 12.7% during the said period. Furthermore, the cash and cash equivalents and the restricted cash of the Group increased from approximately RMB1.31 billion as at 31 October 2019 (being the latest available financial information immediately prior to the date of the Supplemental Financial Services Agreement) to approximately RMB2.01 billion as at 30 April 2020 (being the latest available financial information immediately prior to the date of the Second Supplemental Financial Services Agreement), representing a substantial increase of approximately 53.4% during the said period. Since the year 2020, the historical amount of idle cash (including restricted cash) within the Group has reached an average amount of

LETTER FROM THE BOARD

RMB1,503.856406 million, and such idle cash was deposited with 32 financial institutions, including CEC Finance. Hence, the amount of idle cash in the Group has increased and the demand of deposit services has in turn increased.

When considering the allocation of the Group's funds to be deposited, and whether a commercial bank or a financial institution is suitable for depositing funds, the Group would consider the expected amount of interest income to be generated and the policy of flexible deposit withdrawal. Pursuant to the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement), the interest rates offered by and/or the rates charged by CEC Finance for the deposit services 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 and the Group may allocate the deposit with CEC Finance with flexibility according to its operational needs. Such flexibility is greater than that of the other commercial banks or financial institutions. Hence, the Board considers that the expected amount of interest income from depositing with CEC Finance will be at least equal to, or more favourable than depositing the Group's idle cash with other commercial banks or financial institutions.

As disclosed in the Company's 2019 annual report, the Group will continue to implement its long term business development plan, including establishing a cross-regional investment cooperation system for the rental and sales of industrial parks, maintaining its current industrial park operations services and engaging in capital cooperation with relevant funds. The Group will also make full use of the investment plans and policies for large scale new infrastructure projects arising from the novel coronavirus epidemic, fully seize business development opportunities, promote and transform them into new project contracts, formulate receivables recovery plans and incentive policies, and recover investment returns promptly. Thus, it will result in an increase in the amount of idle cash within the Group.

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.

Based on the above, and the relevant reasons for and benefits of the Second Supplemental Financial Services Agreement as detailed below, the Directors (including the independent non-executive Directors after taking into consideration the advice from Gram Capital) believe that an annual cap of RMB650 million, representing less than half of the average amount of idle cash of the Group since the year 2020 (i.e. approximately RMB1,503.9 million), and the terms of the Second Supplemental Financial Services Agreement, are fair and reasonable and in the interest of the Shareholders as a whole.

LETTER FROM THE BOARD

3. INTERNAL CONTROL PROCEDURES

In order to secure the Group's interests, CEC Finance has given certain undertakings under the Financial Services Agreement, pursuant to which:

- (i) CEC Finance shall ensure that it is in strict compliance with the requirements of the relevant PRC financial laws and regulations;
- (ii) CEC Finance shall forthwith notify the Company and take necessary measures upon the occurrence of circumstances that may have a material adverse effect on CEC Finance or that may jeopardise the security of the Group's deposits; and
- (iii) CEC Finance has confirmed that its substantial shareholder CEC had agreed that, in the event that CEC Finance confronts difficulties in making payment, CEC shall provide support by injecting additional capital into CEC Finance according to the practical situations.

The Company has also adopted certain internal control procedures relevant to the deposit of funds with CEC Finance, pursuant to which:

- (i) prior to each deposit with CEC Finance, the Group would collect information on interest rates for deposits and loans, as well as service fees for other financial services published on the official websites of the People's Bank of China and other major commercial banks (at least two);
- (ii) the Group liaises with other major commercial banks of the Company in a timely manner and requires such banks to provide the Company with written quotes for deposits, loans and other financial services on a regular basis by mail or other means;
- (iii) where the quotes obtained through the two methods above are more favourable to the Group than those provided by CEC Finance, the Group will promptly report the actual situation. Such quotes obtained will be used for re-negotiating with CEC Finance to adjust the price and entering into the relevant financial services supplemental agreements (if necessary);
- (iv) the Group shall confirm the current accumulated deposits balance and interest rate with CEC Finance and make a deposit estimate prior to each deposit to ensure that the deposit amount does not exceed the relevant annual caps, and under the same conditions, the interest rate provided by CEC Finance is not lower than that published by the People's Bank of China, nor those offered by at least two other major commercial banks in the same period for the same type of deposits; and
- (v) the deposit of funds with CEC Finance contemplated under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement) shall be subject to the annual review by the auditors of the Company and the independent non-executive Directors as required under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Company's finance department is responsible for implementing the abovementioned internal control procedures and the Company's chief financial officer is responsible for evaluating such implementation.

The Board considers that the above undertakings given by CEC Finance and the internal control procedures adopted by the Group in respect of the transactions under the Financial Services Agreement (as amended by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement) are appropriate and that they will give sufficient assurance to the Shareholders that the transactions under the Financial Services Agreement (as amended by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement) will be appropriately monitored by the Company.

4. 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, 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 CBIRC. Together with the undertakings given by CEC Finance and the Company's adoption of the relevant internal control procedures as set out above, 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.

LETTER FROM THE BOARD

In light of the above, the Directors (including the independent non-executive Directors 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 and/or relationship with the CEC Group. Save as disclosed, no other Directors had any material interest in the Second Supplemental Financial Services Agreement.

5. 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 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.

LETTER FROM THE BOARD

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.

6. 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.

7. 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 Latest Practicable Date (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.

8. 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 its shareholders 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.

LETTER FROM THE BOARD

9. EGM

It was proposed that the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and the New Caps, shall be considered and, if thought fit, approved at the EGM.

Set out on pages 33 to 34 of this circular is a notice convening the EGM to be held at the meeting room on 10/F, Building No. 1, Higher Level, Creative Capital, 16 Ye Zhi Hu West Road, Hongshan District, Wuhan, Hubei, PRC on Wednesday, 24 June 2020 at 11:00 a.m. (or as soon as the annual general meeting of the Company convened at the same venue and date shall have been concluded or adjourned, whichever the later), at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and the New Caps.

To the best of the Directors' knowledge, information and belief, other than CEC Media Holdings Limited (an indirectly wholly-owned subsidiary of CEC), who held 2,550,000,000 Shares as at the Latest Practicable Date, representing 33.67% of the total issued shares of the Company, no Shareholders will be required to abstain from voting at the EGM in respect of the resolution concerning the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and the New Caps.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.ceovu.com>). Whether or not you intend to be present at such meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form of proxy will be deemed to be revoked.

10. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 16 to 17 of this circular which contains the recommendations of 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 (ii) the letter of advice from Gram Capital set out on pages 18 to 26 of this circular which contains the advice of 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.

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors (having considered the advice of Gram Capital), are of the opinion that the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and the New Caps are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms (or better), and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution regarding the same.

LETTER FROM THE BOARD

11. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By Order of the Board
China Electronics Optics Valley Union Holding Company Limited
Huang Liping
Co-chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Second Supplemental Financial Services Agreement and the New Caps, which has been prepared for the purpose of inclusion in this circular.



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)

To the Independent Shareholders

9 June 2020

Dear Sir or Madam,

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

We refer to the circular (the “**Circular**”) issued by the Company to the Shareholders dated 9 June 2020 of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps, and to advise the Independent Shareholders as to the fairness and reasonableness of the same and whether the matters relating to the deposit services contemplated under the Second Supplemental Financial Services Agreement and the New Caps are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not you should approve the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and the New Caps. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board”, the advice of Gram Capital 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 as set out in the “Letter from Gram Capital” as well as other additional information set out in other parts of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into consideration the terms of the Second Supplemental Financial Services Agreement and the advice of the Gram Capital, we concur with the view of Gram Capital and consider that the terms of the Second Supplemental Financial Services are fair and reasonable, and the transaction contemplated thereunder are conducted in the ordinary and usual course of the Company's business and are on normal or better commercial terms, and in the interest of the Company and its shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Second Supplemental Financial Services Agreement, the transactions contemplated thereunder, and the New Caps.

Yours faithfully,
The Independent Board Committee

Qi Min
Independent
non-executive Director

Qiu Hongsheng
Independent
non-executive Director

Chan Ching Har Eliza
Independent
non-executive Director

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Second Supplemental Financial Services Agreement for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

9 June 2020

*To: The independent board committee and the independent shareholders
of China Electronics Optics Valley Union Holding Company Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Second Supplemental Financial Services Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 June 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Company’s announcements dated 27 September 2017 and 13 November 2019 in respect of the Financial Services Agreement and the Supplemental Financial Services Agreement. Pursuant to the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement), CEC Finance has agreed to provide, inter alia, certain deposit services to the Group (the “**Deposit Services**”).

In view of the development of the Group’s business and the 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 of the Deposit Services for the three years ending 25 June 2023 (i.e.

LETTER FROM GRAM CAPITAL

the Transactions). The Second Supplemental Financial Services Agreement and the New Caps are conditional and will become effective upon the approval of the Independent Shareholders at the EGM to be held on 24 June 2020.

With reference to the Board Letter, the Transactions constitute discloseable and continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements of Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Qi Min, Mr. Qiu Hongsheng and Ms. Chan Ching Har Eliza (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Deposit Services and the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the directors of the issuer 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 issuer. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CEC Finance or their respective subsidiaries or

LETTER FROM GRAM CAPITAL

associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. If there are any material changes before the EGM, Shareholders will be notified as soon as possible. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Business overview of the Group

As referred to in the Board Letter, 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 enterprised 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.

Information on CEC Finance

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, while CEC is a substantial shareholder of the Company. CEC Finance only provides services to members of the CEC Group under the 《企業集團財務公司管理辦法》(Measures on Administration of the Finance Companies of Enterprise Groups*, the “**Measures**”) promulgated by CBRC (now known as CBIRC).

We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times. In addition, we noted from CEC Finance’s articles of association that in the event that CEC Finance confronts difficulties in making payment, CEC, being the controlling shareholder of CEC Finance, shall provide support by injecting additional capital into CEC Finance according to the practical situations.

Being a group finance company, CEC Finance provides financial services as mentioned above to members of CEC Group. As such, CEC Finance may face a relatively higher customer concentrations risk than the PRC commercial banks (whose customers are the general public). However, as a subsidiary of CEC, CEC Finance is able to access the details of financial positions of

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its customers, and can obtain sufficient information in advance to determine whether to grant the loan to the applicant. The situation is different for most of the PRC commercial banks as limited information is available to the commercial banks to evaluate their customers. As such, the high customer concentration risk may be mitigated with sufficient information available to CEC Finance.

Reasons for and benefits of the Deposit Services and the Transactions

With reference to the Board Letter, in view of the development of the Group's business, the 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.

As confirmed by the Directors, the transactions contemplated under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement) are in the interest of the Company and Shareholders as a whole.

For our due diligence purpose, we obtained the Financial Services Agreement and the Supplemental Financial Services Agreement. Pursuant to 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.

In light of that (i) reasons for and benefit of the Deposit Services; (ii) the background information of CEC Finance as mentioned above; (iii) the Existing Caps will no longer be to meet the Group's increasing need for deposit services for the relevant period; and (iv) save and except for the revision of Existing Caps and the amount of credit facility in respect of the loan services to be provided by CEC Finance and the duration of the transactions contemplated thereunder, all other terms and conditions under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement) shall remain effective and unchanged, we consider that the Deposit Services are conducted in the ordinary and usual business of the Group and the Transactions are on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

Principal terms of the Transactions

The following table tabulates a summary of the major terms of the Transactions, details of which are set out under the section headed “THE SECOND SUPPLEMENTAL FINANCIAL SERVICES AGREEMENT” in the Board Letter:

Date

19 May 2020

Parties

The Company and 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 supplemented 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 supplemented by the Supplemental Financial Services Agreement) shall remain unchanged.

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.

Upon our request, we obtained deposit records showing the Company placed deposits in independent commercial banks and CEC Finance for same type of deposits and during same period from December 2018 to December 2019. We noted from the deposit records that the deposit rates as shown in the deposit records are in line with the above-said requirements under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement and the Second Supplemental Financial Services Agreement).

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As also advised by the Directors, to secure the interests of Shareholders, the Company adopted certain internal control procedures and corporate governance measures (the “**IC Measures**”) for utilizing the financial services provided by CEC Finance. Details of the IC Measures are set out under the section headed “INTERNAL CONTROL PROCEDURES” of the Board Letter. As there are procedures for collection of information on deposits interest rates from at least two major commercial banks prior to each deposit with CEC Finance, we consider that the effective implementation of the IC Measures would help to ensure fair pricing of the Deposit Services according to the pricing policies.

Having also considered our findings on deposit rates, we do not doubt the effectiveness of the implementation of the internal procedures for the Deposit Services.

In light of the above factors, we consider that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

Basis of the New Caps

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 Latest Practicable Date with the Existing Caps respectively:

	From 27 September 2017 to 26 September 2018 (approximately RMB'million)	From 27 September 2018 to 26 September 2019 (approximately RMB'million)	From 27 September 2019 to 26 September 2020 (approximately RMB'million)
Historical maximum daily balance of funds settlement balance (deposit amount)	50.16	61.68	150.57 (Note)
Existing Caps	120	120	160
Utilisation rate	41.8%	51.4%	94.1%

Note: the figure was recorded during the period from 27 September 2019 to the Latest Practicable Date.

Pursuant to the Second Supplemental Financial Services Agreement, the New Caps will not exceed RMB650 million during each of the three-year term of the Second Supplemental Financial Services Agreement. We noted that the New Caps have been determined after taking into account of various factors, details of which are set out under the section headed “Renewal of the annual caps under the Second Supplemental Financial Services Agreement” in the Board Letter.

We noted from the 2019 Annual Report that as at 31 December 2019, (i) total amount of Group’s cash and cash equivalents amounted to approximately RMB1.65 billion (or approximately RMB2.00 billion including the restricted cash); and (ii) trade and other receivables (under current assets) amounted to

LETTER FROM GRAM CAPITAL

approximately RMB1.86 billion. In addition, upon our further enquiry, the Directors advised us that total amount of the Group's cash and cash equivalents and the restricted cash (collectively, the “**Monetary Fund**”); and trade and other receivables under current assets (which will convert into cash if such receivables are settled) amounted to approximately RMB2.01 billion and approximately RMB1.84 billion as at 30 April 2020, being the latest available information immediately prior to the date of the Second Supplemental Financial Services Agreement. The sum of the aforesaid two items (the “**Sum**”) amounted to approximately RMB3.85 billion as at 30 April 2020. The Sum (which is larger than the New Caps) indicates the Group's possible demand of deposit services to be provided by commercial banks and CEC Finance.

With reference to the Board Letter, since the year 2020, the historical amount of idle cash (including restricted 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 New Caps of RMB650 million represent a significant increase of RMB490 million (the “**Increase**”) as compared to the Existing Cap of RMB160 million. To further assess the fairness and reasonableness of the Increase, we summarised the relevant financial information (i) for the year ended 31 December 2019, being the latest available public full-year financial information immediately prior to the date of Second Supplemental Financial Services Agreement; (ii) for the year ended 31 December 2018, being the latest available public full-year financial information immediately prior to the date of the Supplemental Financial Services Agreement. We also listed out the Group's (a) Monetary Fund; and (b) trade and other receivables under current assets as at 30 April 2020 and 31 October 2019 respectively, being the latest available financial information immediately prior to the date of Second Supplemental Financial Services Agreement and the date of the Supplemental Financial Services Agreement respectively, as follows:

	For the year ended 31 December 2019 (in RMB'billion)	For the year ended 31 December 2018 (in RMB'billion)	Amount Change (in RMB'billion)
Revenue	3.38	3.00	0.38
	As at 30 April 2020 (in RMB'billion)	As at 31 October 2019 (in RMB'billion)	Amount Change (in RMB'billion)
Monetary Fund	2.01	1.31	0.70
Trade and other receivables under current assets	1.84	1.91	-0.07
The Sum	3.85	3.22	0.63

Based on the above table, we noted that there was a substantial increase in revenue for the year ended 31 December 2019 (being the latest available public full-year financial information immediately prior to the date of Second Supplemental Financial Services Agreement) as compared to that for the year ended 31 December 2018 (being the latest available public full-year financial information immediately prior to the date of the Supplemental Financial Services Agreement). There was also a substantial increase in the Monetary Fund as at 30 April 2020 (being the latest available financial information immediately prior to the

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date of Second Supplemental Financial Services Agreement) as compared to that as at 31 October 2019 (being the latest available financial information immediately prior to the date of the Supplemental Financial Services Agreement).

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. As confirmed by the Directors, the Group may place funding (which was not immediately utilised or transferred) from the aforesaid credit facility in CEC Finance.

As advised by the Directors, it is difficult to forecast the total cash level for whole period of the three-year term of the Second Supplemental Financial Services Agreement. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the New Caps.

Having also considered the above factors, we consider that the New Caps, which are the same during the three-year term of the Second Supplemental Financial Services Agreement, are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Deposit Services must be restricted by the New Caps for the period concerned under the Second Supplemental Financial Services Agreement; (ii) the terms of the Deposit Services must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Deposit Services must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Services (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the New Caps.

In the event that the maximum amounts of the Deposit Services are anticipated to exceed the New Caps, or that there is any proposed material amendment to the terms of the Deposit Services, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit Services and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

Recommendation on the Deposit Services

Having taken into account that above factors and reasons, we are of the opinion that (i) the Deposit Services are entered into in the ordinary and usual course of business of the Group and the Transactions are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Transactions are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. 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.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules were as follows:

Name	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding of the issued share capital of the Company ⁽²⁾
Mr. Huang Liping	Interest in controlled corporation	1,875,540,000 ⁽³⁾	24.76%
Mr. Hu Bin	Beneficial owner	70,320,000	0.93%

Notes:

- (1) All the above Shares are held in long position (as defined under Part XV of the SFO).
- (2) The percentages disclosed were calculated based on the total number of issued Shares of the Company as at the Latest Practicable Date, i.e. 7,574,352,000 Shares.
- (3) Mr. Huang Liping holds 100% equity interests in each of AAA Finance and Investment Holdings Limited (“**AAA Finance**”) and Lidao Investment Limited. Under the SFO, Mr. Huang Liping is deemed to be interested in 1,755,540,000 Shares held by AAA Finance and 120,000,000 Shares held by Lidao Investment Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had 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, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to

have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following person (other than Directors and chief executive of the Company) had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding of the issued share capital of the Company ⁽²⁾
CEC	Interest in controlled corporation	2,550,000,000 ⁽³⁾	33.67%
China Electronics Huada Technology Company Limited	Interest in controlled corporation	2,550,000,000 ⁽⁴⁾	33.67%
AAA Finance	Beneficial owner	1,755,540,000 ⁽⁵⁾	23.18%
Haitong International Securities Company Limited	Person having a security interest in shares	505,888,000 ⁽⁶⁾	6.68%
Haitong International Securities Group Limited	Interest in controlled corporation	505,888,000 ⁽⁷⁾	6.68%
Haitong International Holdings Limited	Interest in controlled corporation	505,888,000 ⁽⁸⁾	6.68%
Haitong Securities Co., Ltd.	Interest in controlled corporation	505,888,000 ⁽⁹⁾	6.68%

Name	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding of the issued share capital of the Company ⁽²⁾
Hubei Science & Technology Investment Group (Hong Kong) Company Limited	Beneficial owner	479,910,000	6.34%
Hubei Science & Technology Investment Group Co., Ltd.	Interest in controlled corporation	479,910,000 ⁽¹⁰⁾	6.34%
China International Capital Corporation Hong Kong Securities Limited	Person having a security interest in shares	382,518,000	5.05%
China International Capital Corporation (Hong Kong) Limited	Interest in controlled corporation	382,518,000 ⁽¹¹⁾	5.05%
China International Capital Corporation Limited	Interest in controlled corporation	382,518,000 ⁽¹²⁾	5.05%

Notes:

- (1) All the above Shares were held in long position (as defined under Part XV of the SFO).
- (2) The percentages disclosed were calculated based on the total number of issued Shares of the Company as at the Latest Practicable Date, i.e. 7,574,352,000 Shares.
- (3) These Shares were held by CEC Media Holdings Limited. CEC Media Holdings Limited was a wholly-owned subsidiary of China Electronics Huada Technology Company Limited (中國電子華大科技有限公司) (“**CE Huada Technology**”). As CE Huada Technology was a subsidiary of CEC, CEC was deemed to be interested in all the Shares held by CEC Media Holdings Limited under the SFO.
- (4) These Shares were held by CEC Media Holdings Limited. CEC Media Holdings Limited was a wholly-owned subsidiary of CE Huada Technology. Under the SFO, CE Huada Technology was deemed to be interested in all the Shares held by CEC Media Holdings Limited.

- (5) AAA Finance was wholly-owned by Mr. Huang Liping, the Co-chairman and President of the Company. Mr. Huang Liping's interests therein are set out in the section headed "2. Directors' and Chief Executive's Interests in Securities" in this appendix.
- (6) Haitong International Securities Company Limited owned security interest in 505,888,000 Shares, of which its interest in 375,000,000 Shares were jointly held with Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (7) Haitong International Securities Group Limited indirectly held 100% interest in the issued share capital of each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited. Under the SFO, Haitong International Securities Group Limited was deemed to be interested in the security interest of Shares held by each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (8) Haitong International Holdings Limited held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. Under the SFO, Haitong International Holdings Limited was deemed to be interested in the security interest of Shares held by each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (9) Haitong Securities Co., Ltd. held 100% interest in the issued share capital of Haitong International Holdings Limited, which in turn held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. Under the SFO, Haitong Securities Co., Ltd. was deemed to be interested in the security interest of Shares held by each of Haitong International Securities Company Limited, Haitong International Financial Solutions Limited and Haitong International Products & Solutions Limited.
- (10) These Shares were held by Hubei Science & Technology Investment Group (Hong Kong) Company Limited. Hubei Science & Technology Investment Group Co., Ltd. held 100% equity interest in Hubei Science & Technology Investment Group (Hong Kong) Company Limited. Under the SFO, Hubei Science & Technology Investment Group Co., Ltd. was deemed to be interested in all the Shares held by Hubei Science & Technology Investment Group (Hong Kong) Company Limited.
- (11) China International Capital Corporation Hong Kong Securities Limited owned security interest in such shares. China International Capital Corporation (Hong Kong) Limited holds 100% equity interest in China International Capital Corporation Hong Kong Securities Limited. Under the SFO, China International Capital Corporation (Hong Kong) Limited was deemed to be interested in the security interest of Shares held by China International Capital Corporation Hong Kong Securities Limited.
- (12) China International Capital Corporation Limited holds 100% equity interest in China International Capital Corporation (Hong Kong) Limited, which in turn holds 100% equity interest in China International Capital Corporation Hong Kong Securities Limited. Under the SFO, China International Capital Corporation Limited was deemed to be interested in the security interest of Shares held by China International Capital Corporation Hong Kong Securities Limited.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, there was no other person, other than the Directors or the chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors held offices in the substantial shareholders of the Company set out above:

WANG Qiujun	the financial controller of CE Huada Technology (stock code: 00085)
QIU Hongsheng	an independent non-executive director of CE Huada Technology (stock code: 00085)

4. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

- (a) None of the Directors has entered into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, 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.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest audited consolidated financial statements of the Group were made up.

6. EXPERT

- (a) The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Gram Capital did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, 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.
- (c) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the forms and contexts in which they appear. The letter of Gram Capital contained herein was issued on 9 June 2020 and was made by Gram Capital for incorporation in this circular.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at 19/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong, from 9 June 2020 to 22 June 2020 (both days inclusive):

- (a) the letter from Gram Capital as set out in this circular;
- (b) the letter from the Independent Board Committee as set out in this circular;
- (c) the Financial Services Agreement;
- (d) the Supplemental Services Agreement; and
- (e) the Second Supplemental Financial Services Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Electronics Optics Valley Union Holding Company Limited (the “**Company**”) will be held at the meeting room on 10/F, Building No. 1, Higher Level, Creative Capital, 16 Ye Zhi Hu West Road, Hongshan District, Wuhan, Hubei, PRC on Wednesday, 24 June 2020 at 11:00 a.m. (or as soon as the annual general meeting of the Company convened at the same venue and date shall have been concluded or adjourned, whichever the later) for the purpose of considering, and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Second Supplemental Financial Services Agreement (as defined in the circular of the Company of which this notice forms part (the “**Circular**”) and the particulars of which are set out in the section headed “2. The Second Supplemental Financial Services Agreement” in the “Letter from the Board” contained in the Circular), the transactions contemplated thereunder, and the New Caps be and are hereby approved and confirmed.”

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

9 June 2020

Notes:

1. The above resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy (or more than one proxy) to attend and vote at the EGM on behalf of him when the resolutions are taken by poll. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed in the relevant form of proxy.

For a vote by poll, each shareholder attending by himself/herself or by proxy shall have one vote per share.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or is a certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the EGM (i.e. no later than Monday, 22 June 2020 at 11:00 a.m. (Hong Kong time)). Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020, both dates inclusive, during which period no share transfers will be registered. In order to be eligible to attend and vote at the EGM, unregistered shareholders of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 June 2020.
5. References to time and dates in this notice are to Hong Kong time and dates.
6. The EGM is expected to last for not more than half a day. Shareholders or their proxies who attend the EGM shall bear their own travelling and accommodation expenses.