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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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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) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE 2023 FACILITY AGREEMENT
AND
(2) NOTICE OF EGM**

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



A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 28 of this circular.

A notice convening the EGM of China Electronics Optics Valley Union Holding Company Limited to be held at Board Meeting Room, G/F, Banquet Hall, 1 Hotel, 4 Haitang South Road, Haitang District, Sanya, Hainan Province, the PRC on Thursday, 14 December 2023 at 9:30 a.m. (and at any adjournment thereof) is set out on pages 34 to 35 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 Tuesday, 12 December 2023 at 9:30 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: 20 November 2023

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DEFINITIONS

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

“2022 Facility Agreement”	the comprehensive credit facility agreement dated 19 September 2022 entered into between Wuhan OVU and CEC Finance, details of which were disclosed in the announcement of the Company dated 19 September 2022
“2023 Facility Agreement”	the comprehensive credit facility agreement dated 25 October 2023 entered into between Wuhan OVU and CEC Finance in relation to the provision of the Revolving Facility by CEC Finance to Wuhan OVU, details of which are set out under the section headed “2. The 2023 Facility Agreement” in the “Letter from the Board” contained in this circular
“Availability Period”	from 18 December 2023 to 17 December 2024, being the period during which the Revolving Facility is made available to Wuhan OVU
“Board”	the board of Directors
“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
“Charges”	collectively, the Huangshi OVU Charge, the OV Financial Harbour Development Charge and the Xi’an Industrial Park Charge
“Company”	China Electronics Optics Valley Union Holding Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Transactions and the New Caps

DEFINITIONS

“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 Transactions and the New Caps
“Group”	the Company and its subsidiaries
“Guarantee”	a guarantee provided by the Company in favour of CEC Finance, pursuant to which the Company agreed to guarantee the obligation of Wuhan OVU under the 2023 Facility Agreement up to a maximum principal amount of RMB878,000,000, details of which are set out under the section headed “3. Security Documents – (a) The Guarantee” in the “Letter from the Board” contained in this circular
“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
“Huangshi OVU”	Huangshi Optics Valley Union Development Co., Ltd.* (黄石光谷聯合發展有限公司), a limited liability company incorporated in the PRC on 24 January 2005 and a wholly-owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
“Huangshi OVU Charge”	the charge granted by Huangshi OVU in favour of CEC Finance pursuant to the charge agreement dated 25 October 2023 entered into between Huangshi OVU and CEC Finance, details of which are set out under the section headed “3. Security Documents – (b) The Huangshi OVU Charge” in the “Letter from the Board” contained in this circular
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Qi Min, Mr. Qiu Hongsheng and Mr. Qi Liang, which is established to advise the Independent Shareholders in respect of the Transactions and the New Caps
“Independent Shareholder(s)”	Shareholder(s) 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 Transactions and the New Caps
“Latest Practicable Date”	15 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Caps”	the proposed new caps for the maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance pursuant to the 2023 Facility Agreement as set out in the section headed “5. New Caps and basis of determination” in the “Letter from the Board” in this circular
“OV Financial Harbour Development”	武漢光谷金融港發展有限公司 (Wuhan Optics Valley Financial Harbour Development Co., Ltd.*), a limited liability company incorporated in the PRC on 24 July 2008 and a wholly-owned subsidiary of Wuhan OVU, and an indirect subsidiary of the Company
“OV Financial Harbour Development Charge”	the charge granted by OV Financial Harbour Development in favour of CEC Finance pursuant to the charge agreement dated 25 October 2023 entered into between OV Financial Harbour Development and CEC Finance, details of which are set out under the section headed “3. Security Documents – (c) The OV Financial Harbour Development Charge” in the “Letter from the Board” contained in this circular
“PRC”	the People’s Republic of China
“Revolving Facility”	a revolving loan facility of up to RMB878,000,000 to be made available by CEC Finance to Wuhan OVU pursuant to the 2023 Facility Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Single Loan(s)”	has the meaning ascribed to it under the section headed “2. The 2023 Facility Agreement - Other terms” in the “Letter from the Board” contained in this circular
“Specific Agreement(s)”	has the meaning ascribed to it under the section headed “2. The 2023 Facility Agreement - Other terms” in the “Letter from the Board” contained in this circular

DEFINITIONS

“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the entering into of the 2023 Facility Agreement, the Guarantee, the Charges and the transactions contemplated thereunder
“Wuhan OVU”	武漢光谷聯合集團有限公司 (Wuhan Optics Valley Union Group Company Limited*), a limited liability company incorporated in the PRC on 24 July 2000 and an indirect wholly-owned subsidiary of the Company
“Wuhan OVU Group”	Wuhan OVU and its subsidiaries
“Xi’an Industrial Park”	中國電子西安產業園發展有限公司 (China Electronics Xi’an Industrial Park Development Co., Ltd.*), a limited liability company incorporated in the PRC on 12 November 2010 and a non-wholly owned subsidiary of Wuhan OVU, and an indirect non-wholly owned subsidiary of the Company
“Xi’an Industrial Park Charge”	the charge granted by Xi’an Industrial Park in favour of CEC Finance pursuant to the charge agreement dated 25 October 2023 entered into between Xi’an Industrial Park and CEC Finance, details of which are set out under the section headed “3. Security Documents – (d) The Xi’an Industrial Park Charge” in the “Letter from the Board” contained in this circular
“%”	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\$1.0898 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



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)

Non-executive Directors:

Liu Guilin (*Chairman*)
Xiang Qunxiong
Zhang Jie
Sun Ying
Hu Bin

Independent Non-executive Directors:

Qi Min
Qiu Hongsheng
Qi Liang

Executive Director:

Huang Liping (*President*)

Registered office:

Windward 3, Regatta Office Park
P. O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Headquarters and Principal Place
of Business in the PRC:*

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

Principal place of business in

Hong Kong:

19/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Hong Kong, 20 November 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE 2023 FACILITY AGREEMENT
AND
(2) NOTICE OF EGM**

We refer to the announcement of the Company dated 25 October 2023 in relation to the entering into of the 2023 Facility Agreement.

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the announcement of the Company dated 19 September 2022 in relation to the 2022 Facility Agreement. Pursuant to the 2022 Facility Agreement, CEC Finance provided a revolving facility up to RMB880,000,000 to Wuhan OVU (being an indirect wholly-owned subsidiary of the Company) for the period from 20 October 2022 to 19 October 2023.

In light of the expiry of the revolving facility under the 2022 Facility Agreement on 19 October 2023, and taking into consideration the constant need for financing of Wuhan OVU, on 25 October 2023, Wuhan OVU entered into the 2023 Facility Agreement with CEC Finance, pursuant to which CEC Finance has conditionally agreed to provide the Revolving Facility of up to RMB878,000,000 (equivalent to approximately HK\$956,844,400) to Wuhan OVU for the period of one year from 18 December 2023 to 17 December 2024.

The purpose of this circular is to provide you with, among other things, (i) details of the 2023 Facility Agreement, the Guarantee, the Charges and the transactions contemplated thereunder and the New Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Transactions and the New Caps; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the New Caps; and (iv) a notice of the EGM.

2. THE 2023 FACILITY AGREEMENT

The principal terms of the 2023 Facility Agreement are summarised below:

Date: 25 October 2023

Parties: (1) CEC Finance (as lender); and
(2) Wuhan OVU (as borrower)

Revolving Facility: Subject to the satisfaction of the condition precedent as set out below, a revolving facility up to RMB878,000,000 (equivalent to approximately HK\$956,844,400) shall be made available to Wuhan OVU by CEC Finance. The Revolving Facility is available for one or multiple drawings during the Availability Period. For the avoidance of doubt, the repaid principal amounts of the Revolving Facility (if any) shall be available for drawing during the Availability Period.

LETTER FROM THE BOARD

- Availability Period:** The Revolving Facility is, subject to the satisfaction of the condition precedent as set out below, available for drawings during the availability period of one (1) year from 18 December 2023 to 17 December 2024. Whilst the drawdown of each of the Single Loans shall be made within the term of the Availability Period, the maturity date of each of the Single Loans shall follow the maturity date of such Single Loan as set out in the relevant Specific Agreement.
- Condition precedent:** The 2023 Facility Agreement shall become effective upon the Company obtaining Independent Shareholders' approval at the EGM in accordance with the Listing Rules.
- Interest rate:** The interest rate of each drawdown shall be specified in the corresponding Specific Agreement. Such interest rate is determined, upon the entering into of the Specific Agreement, with reference to (i) the one-year loan prime rate (LPR) published by the National Interbank Funding Center (全國銀行間同業拆借中心) at the material time, which rate was 3.45% as at the date of the 2023 Facility Agreement; and (ii) the prevailing interest rates for loan facilities of the same tenure and types as offered by major commercial banks in the PRC.
- Purpose:** For the credit services provided by CEC Finance to Wuhan OVU in relation to short-term liquidity loans, acceptance and discounting of commercial bills of exchange and guarantees for non-financing purposes.
- Security:** The Revolving Facility is guaranteed by the Company and secured by the Charges, details of which are set out in the section headed "3. Security Documents" in the "Letter from the Board" contained in this circular.
- Other terms:** Wuhan OVU shall apply in writing to CEC Finance for each drawdown (each a "**Single Loan**") of the Revolving Facility (which shall not exceed the maximum amount of the Revolving Facility), and shall enter into separate agreements (the "**Specific Agreements**") which set out the specific terms including the repayment date(s) and maturity date of each drawdown with CEC Finance according to the 2023 Facility Agreement.

LETTER FROM THE BOARD

3. SECURITY DOCUMENTS

Pursuant to the 2023 Facility Agreement, in order to secure Wuhan OVU's repayment obligations of the aggregate outstanding amount(s) owed by Wuhan OVU to CEC Finance contemplated under the 2023 Facility Agreement (and the Specific Agreements), the following security documents have been entered into by the relevant parties:

(a) The Guarantee

On 25 October 2023, the Company (as guarantor) and CEC Finance (as beneficiary) entered into the Guarantee, the principal terms of which are as follows:

Guarantee: Subject to the condition precedent as set out below, the Company shall, on a joint and several basis, guarantee the repayment obligations of Wuhan OVU under the 2023 Facility Agreement. The scope of the Guarantee includes, *inter alia*, (i) the principal amount and interest of the loan; (ii) overdue interest, penalty and damages accrued due to breach of contract; and (iii) other expenses of CEC Finance in realising the debts in default.

Term of Guarantee: The term of the Guarantee shall be, in respect of each Specific Agreement, two years commencing on the expiry date of repayment obligation under that Specific Agreement.

Condition precedent: The Guarantee shall become effective upon the Company obtaining Independent Shareholders' approval at the EGM in accordance with the Listing Rules.

(b) The Huangshi OVU Charge

On 25 October 2023, Huangshi OVU (as chargor) and CEC Finance (as chargee) entered into the Huangshi OVU Charge, pursuant to which Huangshi OVU shall, upon the Company obtaining Independent Shareholders' approval at the EGM in accordance with the Listing Rules, grant security in favour of CEC Finance by way of a charge over 52 units in the office buildings for research and development located in No.185 Jinshan Boulevard, Golden Hill Development Zone, Huangshi, Hubei, the PRC* (中國湖北黃石黃金山開發區金山大道185號) with an aggregated gross floor area of approximately 19,985.84 sq.m., as security for due performance of obligations of Wuhan OVU under the 2023 Facility Agreement. Pursuant to the valuation report issued by an independent property valuer in the PRC, the appraised value of such charged assets amount to RMB100,009,200 (equivalent to approximately HK\$108,990,026.16).

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The scope of the Huangshi OVU Charge shall be all liabilities owed by Wuhan OVU under the 2023 Facility Agreement, including the principal and interest of the loan, overdue interest, penalty, damages and all expenses incurred by CEC Finance in enforcing and realising the debts in default. The term of the Huanghai OVU Charge shall commence on the effective date of the Huangshi OVU Charge and end on the expiry date of the limitation period of the maturity date of the last liability under the 2023 Facility Agreement.

(c) The OV Financial Harbour Development Charge

On 25 October 2023, OV Financial Harbour Development (as chargor) and CEC Finance (as chargee) entered into the OV Financial Harbour Development Charge, pursuant to which OV Financial Harbour Development shall, upon the Company obtaining Independent Shareholders' approval at the EGM in accordance with the Listing Rules, grant security in favour of CEC Finance by way of a charge over the first floor and second floor of No. A5 Exhibition Center, OVU Financial Harbor, 77 Guanggu Avenue, East Lake New Technology Development Zone, Wuhan, Hubei, the PRC* (中國湖北武漢東湖新技術開發區光谷大道77號光谷金融港A5號展覽中心一樓及二樓), with a gross floor area of approximately 2,414.06 sq.m., as security for due performance of obligations of Wuhan OVU under the 2023 Facility Agreement. Pursuant to the valuation report issued by an independent property valuer in the PRC, the appraised value of such charged asset amount to RMB45,258,800 (equivalent to approximately HK\$49,323,040.24).

The scope of the OV Financial Harbour Development Charge shall be all liabilities owed by Wuhan OVU under the 2023 Facility Agreement, including the principal and interest of the loan, overdue interest, penalty, damages and all expenses incurred by CEC Finance in enforcing and realising the debts in default. The term of the OV Financial Harbour Development Charge shall commence on the effective date of the OV Financial Harbour Development Charge and end on the expiry date of the limitation period of the maturity date of the last liability under the 2023 Facility Agreement.

(d) The Xi'an Industrial Park Charge

On 25 October 2023, Xi'an Industrial Park (as chargor) and CEC Finance (as chargee) entered into the Xi'an Industrial Park Charge, pursuant to which Xi'an Industrial Park shall, upon the Company obtaining Independent Shareholders' approval at the EGM in accordance with the Listing Rules, grant security in favour of CEC Finance by way of a charge over 18 commercial units located in No. 1288 Caotan 10th Road, Xi'an Economic Development Zone, Shaanxi Province, the PRC* (中國陝西省西安市經濟開發區草灘十路1288號), with an aggregated gross floor area of approximately 24,113.34 sq.m., as security for due performance of obligations of Wuhan OVU under the 2023 Facility Agreement. Pursuant to the valuation report issued by an independent property valuer in the PRC, the appraised value of such charged assets amount to RMB130,212,300 (equivalent to approximately HK\$141,905,364.54).

The scope of the Xi'an Industrial Park Charge shall be all liabilities owed by Wuhan OVU under the 2023 Facility Agreement, including the principal and interest of the loan, overdue interest, penalty, damages and all expenses incurred by CEC Finance in enforcing and realising

LETTER FROM THE BOARD

the debts in default. The term of the Xi'an Industrial Park Charge shall commence on the effective date of the Xi'an Industrial Park Charge and end on the expiry date of the limitation period of the maturity date of the last liability under the 2023 Facility Agreement.

4. HISTORICAL AMOUNTS AND PREVIOUS CAPS

Set out below are details of (i) the historical maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance under the 2022 Facility Agreement and (ii) the previous caps under the 2022 Facility Agreement:

	From 20 October 2022 to 31 December 2022	From 1 January 2023 to 19 October 2023
Previous caps under the 2022 Facility Agreement	RMB880,000,000	RMB880,000,000
Historical maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance	RMB465,000,000	RMB880,000,000

5. NEW CAPS AND BASIS OF DETERMINATION

The maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance pursuant to the 2023 Facility Agreement, being the new caps for the Revolving Facility, are as follows:

	From 18 December 2023 to 31 December 2023	From 1 January 2024 to 17 December 2024
Maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance	RMB878,000,000	RMB878,000,000

In determining the New Caps, the Directors have taken into account the following:

- (a) the historical maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance. In particular, during the period from 1 January 2023 to 19 October 2023, the historical maximum daily outstanding loans was RMB880,000,000, which indicated that the previous cap of RMB880,000,000 had been fully utilised;
- (b) the bank balances and cash of Wuhan OVU Group as at 30 September 2023;
- (c) the constant need for financing of Wuhan OVU; and
- (d) the operation scale of the Wuhan OVU Group.

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In light of the above, the Group expects that Wuhan OVU Group will continue to have a strong demand for secured loans, and therefore the New Caps of RMB878,000,000, which are at a similar level as the previous caps under the 2022 Facility Agreement, have been fixed under the 2023 Facility Agreement.

6. INTERNAL CONTROL MEASURES

The Group has adopted the following internal control measures in relation to the utilisation of the Revolving Facility by Wuhan OVU:

- (1) Wuhan OVU is required to obtain internal approval from the Company before entering into any Specific Agreement in relation to the Revolving Facility. Before entering into any Specific Agreement, Wuhan OVU will make enquiries with at least three major commercial banks about their offers (including interest rates) in respect of the credit facilities of the same tenure and type;
- (2) regular checks will be conducted to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of the Specific Agreement and the 2023 Facility Agreement and that the interest charged by CEC Finance for a transaction contemplated under a Specific Agreement is fair and reasonable;
- (3) meetings of the finance department of the Company, with the attendance of audit, legal, finance and other related departments, will be convened on a monthly basis, to keep abreast of the Single Loan(s) granted by CEC Finance to Wuhan OVU and to reasonably formulate recommendations on financing arrangements of the Company for the next month, which shall also be reported to the management of the Company;
- (4) the finance department of the Company will prepare half-year reports and annual reports in relation to the relevant transactions contemplated under the 2023 Facility Agreement. Such reports will be submitted to the Board regularly and be provided to the independent auditor of the Company for their review;
- (5) the staff of the finance department will closely monitor each of the Single Loan(s) obtained by Wuhan OVU from CEC Finance and ensure that the interest paid for each Single Loan will not exceed the interest rate as specified in the corresponding Specific Agreement;
- (6) to ensure proper and complete separation of duties, no common staff, senior management or director of the Group and CEC Finance (and its subsidiaries) will be involved in the internal control procedures. The Company will conduct an annual review of the above internal control measures and report the review results to the Board;
- (7) the independent non-executive Directors and the independent auditor of the Company will conduct an annual review on the terms of the relevant transactions; and
- (8) the Board will oversee the Company's internal control measures in relation to the 2023 Facility Agreement on an ongoing basis.

LETTER FROM THE BOARD

In light of the above, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 2023 Facility Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

The Board considers that the internal control procedures adopted by Wuhan OVU in respect of the transactions contemplated under the 2023 Facility Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transactions under the 2023 Facility Agreement will be appropriately monitored by the Company.

7. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

Wuhan OVU is principally engaged in (i) development, sales and leasing services of industrial park properties; and (ii) industrial park operation services (including design and construction services, property management services and digital park services, etc.) in the PRC. Wuhan OVU requires efficient and reliable credit facilities for its daily business operations for the purposes of obtaining services with regards to acceptance and payment of commercial bills of exchange, issuance of letters of guarantee, discounting of commercial bills of exchange, and other international trade finance services. In addition, the development of industrial park properties is capital intensive in nature and requires large-scale and long-term investment from the Wuhan OVU Group.

The Group has all along been obtaining loans from CEC Finance for the purpose of financing its operational needs. Having considered the previous satisfactory relationship with CEC Finance and the efficient and reliable credit facilities provided by CEC Finance under the 2022 Facility Agreement, and that CEC Finance is familiar with the financing needs, policies and operations of the Group and therefore can provide customised and high quality loan services to the Group, the Board is of the view that the entering into of the 2023 Facility Agreement would enable Wuhan OVU continue to obtain a large credit line at an interest rate that is not higher than those offered by major commercial banks in the PRC of the same tenure and type, enhance the bargaining power of Wuhan OVU in obtaining external loans (if required) in the future, and hence lower its overall finance costs. Taking into consideration the constant need for financing of Wuhan OVU and to maintain sufficient liquidity of Wuhan OVU, the Board is of the view that the financing arrangement under the 2023 Facility Agreement is in line with the Group's plan to optimise its financing channels and resolve its own funding needs.

In addition, as disclosed in this circular, the aggregate appraised value of the assets over which security is created under the Charges is RMB275,480,300. Such assets were determined with reference to the ratio of their aggregate value to the maximum daily amount of outstanding loan under the 2023 Facility Agreement, which the Board considers to be in line with the general market standard.

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 Transactions have been negotiated on arm's length basis, are on normal commercial terms or better and in the ordinary and usual course

LETTER FROM THE BOARD

of business of the Group, and the terms of the 2023 Facility Agreement, the Guarantee, the Charges, the transactions contemplated thereunder and the New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. INFORMATION ON CEC FINANCE AND ITS ULTIMATE BENEFICIAL OWNERS

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 was, as at the Latest Practicable Date, insofar as the Board is aware, held:

- (1) as to approximately 57.66% by CEC;
- (2) as to approximately 23.61% 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%;
- (3) as to approximately 5.37% 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;
- (4) as to approximately 4.66% 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;
- (5) as to approximately 3.93% by 中國振華電子集團有限公司 (China Zhenhua Electronics Group Co., Ltd.*) ("**Zhenhua Electronics**"), which is in turn owned as to approximately 54.28% by CEC, as to approximately 31.30% by 貴州省黔晟國有資產經營有限責任公司 (Guizhou Qiansheng State-owned Assets Management Co., Ltd.*), as to approximately 10.60% by 中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Ltd.*), a company listed in the Stock Exchange (Stock Code: 2799), as to approximately 3.57% by 中國長城資產管理股份有限公司 (China Great Wall Asset Management Co., Ltd.*) and as to approximately 0.25% by 中國東方資產管理股份有限公司 (China Orient Asset Management Co., Ltd.*);
- (6) as to approximately 2.12% by 中國振華(集團)科技股份有限公司 (China Zhenhua (Group) Science & Technology Co., Ltd.*), a company listed in the Shenzhen Stock Exchange (Stock Code: 000733), which is in turn controlled by Zhenhua Electronics;
- (7) as to approximately 2.02% 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 58.13%, 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%, 華大半導體有限公司 (Huada Semiconductor Co., Ltd.*) as to approximately 2.33%, and Chongqing State-owned Assets Supervision and Administration Commission as to approximately 2.33%; and

LETTER FROM THE BOARD

- (8) as to approximately 0.63% 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.

9. INFORMATION ON WUHAN OVU, HUANGSHI OVU, OV FINANCIAL HARBOUR DEVELOPMENT, XI'AN INDUSTRIAL PARK AND THE GROUP

Wuhan OVU is principally engaged in (i) development, sales and leasing services of industrial park properties; and (ii) industrial park operation services (including design and construction services, property management services and digital park services etc.) in the PRC and is an indirect wholly-owned subsidiary of the Company.

Huangshi OVU is principally engaged in development and infrastructure construction of industrial parks, real estate development and sales of commercial housing in the PRC and is an indirect wholly-owned subsidiary of the Company.

OV Financial Harbour Development is principally engaged in real estate development, sales of commercial housing and leasing of residential properties in the PRC and is an indirect wholly-owned subsidiary of the Company.

Xi'an Industrial Park is principally engaged in property development in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is owned as to approximately 73.91% by Wuhan OVU which is an indirect wholly-owned subsidiary of the Company, and the remaining approximately 26.09% by an independent third party.

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.

10. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CEC was the indirect holder of 2,550,000,000 shares of the Company (representing approximately 33.67% of the issued share capital of the Company). Therefore, CEC is a substantial shareholder of the Company. CEC Finance, being a subsidiary of CEC, is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Facility Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio (as defined in the Listing Rules) calculated in accordance with the Listing Rules in respect of the New Caps is more than 5%, the Transactions are subject to reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Liu Guilin and Mr. Xiang Qunxiong (both being non-executive Directors) who have abstained from voting on the relevant Board resolution(s) by reason of their respective positions in and/or relationship with CEC Group, to the best knowledge of the Company having made all reasonable enquiries, none of the other Directors is required to abstain from voting on the relevant Board resolution(s).

11. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors (namely, Mr. Qi Min, Mr. Qiu Hongsheng and Mr. Qi Liang) has been established to advise the Independent Shareholders on whether or not the Transactions 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 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 Transactions and the New Caps.

12. EGM

It was proposed that the 2023 Facility Agreement, the Guarantee, the Charges, the transactions contemplated thereunder, and the New Caps, shall be considered and, if thought fit, approved at the EGM.

Set out on pages 34 to 35 of this circular is a notice convening the EGM to be held at Board Meeting Room, G/F, Banquet Hall, 1 Hotel, 4 Haitang South Road, Haitang District, Sanya, Hainan Province, the PRC on Thursday, 14 December 2023 at 9:30 a.m. (and at any adjournment thereof), at which an ordinary resolution will be proposed to consider and, if thought fit, approve the 2023 Facility Agreement, the Guarantee, the Charges, the transactions contemplated thereunder, and the New Caps.

To the best of the Directors' knowledge, information and belief, other than China Electronics International Information Service Co., Ltd.* (中國中電國際信息服務有限公司) (an indirectly wholly-owned subsidiary of CEC), who held 2,550,000,000 Shares as at the Latest Practicable Date, representing approximately 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 2023 Facility Agreement, the Guarantee, the Charges, 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.ceov.com>). Whether or not you intend to be present at such meeting,

LETTER FROM THE BOARD

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.

13. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the matters relating to the Transactions and the New Caps, and (ii) the letter of advice from Gram Capital set out on pages 19 to 28 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 Transactions 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 Transactions, 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 the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution regarding the same.

14. 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**
Liu Guilin
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 Transactions and the New Caps, which has been prepared for the purpose of inclusion in this circular.



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)

20 November 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2023 FACILITY AGREEMENT

We refer to the circular (the “**Circular**”) issued by the Company to the Shareholders dated 20 November 2023 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 Transactions 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 Transactions 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 2023 Facility Agreement, the Guarantee, the Charges, 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 Transactions 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.

Having taken into consideration the terms of the 2023 Facility Agreement, the Guarantee, the Charges, and the advice of Gram Capital, we concur with the view of Gram Capital and consider that the terms of the 2023 Facility Agreement, the Guarantee and the Charges 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 interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2023 Facility Agreement, the Guarantee, the Charges, 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

Qi Liang
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 and the New Caps 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

20 November 2023

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2023 FACILITY 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 and the New Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 November 2023 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.

In light of the expiry of the revolving facility under the 2022 Facility Agreement on 19 October 2023, and taking into consideration the constant need for financing of Wuhan OVU, on 25 October 2023, Wuhan OVU entered into the 2023 Facility Agreement with CEC Finance, pursuant to which CEC Finance has conditionally agreed to provide the Revolving Facility up to RMB878,000,000 to Wuhan OVU for the period of one year from 18 December 2023 to 17 December 2024.

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

The Independent Board Committee comprising Mr. Qi Min, Mr. Qiu Hongsheng and Mr. Qi Liang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions (including the New Caps) 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

LETTER FROM GRAM CAPITAL

Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions and the New Caps 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.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of (i) continuing connected transactions as set in the Company's circular dated 21 October 2022; and (ii) discloseable and continuing connected transactions as set in the Company's circular dated 2 August 2023. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagement and would not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

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 Latest Practicable Date. 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 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 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 enquires, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material

LETTER FROM GRAM CAPITAL

respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein 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 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. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Business overview of the Group

With reference to 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 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.

Information on CEC Finance

With reference to the Board Letter, 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.

Reasons for and benefits of the Transactions

As advised by the Directors, the development of industrial park properties is capital intensive in nature and requires large-scale and long-term investment. With reference to the Board Letter, the Group has all along been obtaining both loans from CEC Finance for the purpose of financing its operational needs. The Transactions provided a source of fund to Wuhan OVU Group.

LETTER FROM GRAM CAPITAL

Having considered the previous satisfactory relationship with CEC Finance and the efficient and reliable credit facilities provided by CEC Finance under the 2022 Facility Agreement, and that CEC Finance is familiar with the financing needs, policies and operations of the Group and therefore can provide customised and high quality loan services to the Group, the Board is of the view that the entering into of the 2023 Facility Agreement would enable Wuhan OVU to continuously obtain a large credit line at an interest rate that is not higher than those offered by major commercial banks in the PRC of the same tenure and type, enhance the bargaining power of Wuhan OVU in obtaining external loans (if required) in the future, and hence lower its overall finance costs.

With reference to the Company's annual report for the year ended 31 December 2022, in order to maintain the growth of industrial park investment and lay the foundation for growth during the "14th Five-Year Plan" period, the Group has moderately increased the reserve and operating rate of its industrial parks. Benefiting from factors such as financing structure adjustment, the average borrowing costs decreased to 4.8% in 2022 as compared with 5.1% in 2021. Furthermore, with reference to the Company's interim report for the six months ended 30 June 2023 and as advised by the Directors, the bank and other borrowings bear interest ranged from 1.70% to 10.00% per annum for the six months ended 30 June 2023 (six months ended 30 June 2022: from 2.50% to 6.00%), with average of 4.98%. As per our request, we obtained all Specific Agreement pursuant to the 2022 Facility Agreement (the "2022 Specific Agreements"). The borrowing costs of the loans pursuant to the 2022 Specific Agreements were lower than the aforesaid average borrowing costs of the Group.

Having considered the above factors, we consider that the Transactions are conducted in the ordinary and usual business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transactions

The following tabulates a summary of the major terms of the Transactions, details of which are set out under the section headed "THE 2023 FACILITY AGREEMENT" in the Board Letter:

Date

25 October 2023

Parties

- (1) CEC Finance (as lender); and
- (2) Wuhan OVU (as borrower)

Revolving Facility

Subject to the satisfaction of the condition precedent, a revolving facility up to RMB878,000,000 shall be made available to Wuhan OVU by CEC Finance. The Revolving Facility is available for one or multiple drawings during the Availability Period. For the avoidance of doubt, the repaid principal amounts of the Revolving Facility (if any) shall be available for drawing during the Availability Period.

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Availability Period

The Revolving Facility is, subject to the satisfaction of the condition precedent, available for drawings during the availability period of one (1) year from 18 December 2023 to 17 December 2024. Whilst the drawdown of each of the Single Loans shall be made within the term of the Availability Period, the maturity date of each of the Single Loans shall follow the maturity date of such Single Loan as set out in the relevant Specific Agreement.

Interest rate

The interest rate of each drawdown shall be specified in the corresponding Specific Agreement. Such interest rate is determined, upon the entering into of the Specific Agreement, with reference to (i) the one-year loan prime rate (LPR) published by the National Interbank Funding Center (全國銀行間同業拆借中心) at the material time, which rate is currently 3.45% as at Latest Practicable Date; and (ii) the prevailing interest rates for loan facilities of the same tenure and types as offered by major commercial banks in the PRC.

According to the website of The People's Bank of China (the "PBOC"), LPR is the most preferential lending rate offered by a commercial bank to its prime clients. Other lending rates can be offered based on the LPR adding or subtracting certain basis points. The centralized quote and publish mechanism of LPR is that the authorized publisher calculates the quotes provided by the panel banks as the weighted average LPR and releases it to the public. Currently the one-year LPR and above-five-year LPR are published to the general public. PBOC authorised National Interbank Funding Center to announce the latest LPRs on or around the 20th day of each month since 20 August 2019.

Upon our request, we obtained three copies of loan facility agreements entered into between Wuhan OVU and independent commercial banks (the "Individual Loan Agreements") in 2023. We noted that interest rates contemplated under the Individual Loan Agreements were determined with reference to, among other things, one-year loan prime rate.

Furthermore, with reference to the Board Letter, Wuhan OVU is required to obtain internal approval from the Company before entering into any Specific Agreement in relation to the Revolving Facility. Before entering into any Specific Agreement, Wuhan OVU will make enquiries with at least three major commercial banks about their offers (including interest rates) in respect of the credit facilities of the same tenure and type. We consider the effective implementation of the aforesaid procedures will ensure the fair pricing pursuant to the 2023 Facility Agreement.

Having considered that (i) LPR is the most preferential lending rate offered by a commercial bank to its prime clients (other lending rates can be offered based on the LPR adding or subtracting certain basis points); (ii) the interest rates contemplated under the loan facility agreements were determined with reference to, among other things, one-year loan prime rate; and (iii) before entering into any Specific Agreement, Wuhan OVU will make enquiries with at least three major commercial banks about their offers (including interest rates) in respect of the credit facilities of the same tenure and type, we are of the view that the basis for determination of the interest rate of the Revolving Facility to be fair and reasonable.

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Upon our further request, we obtained over 10 copies of loan agreements/loan withdrawn certificates among Wuhan OVU Group and independent commercial banks, which were entered into at similar dates to the date of 2022 Specific Agreements. We noted that (i) the interest rates under the above-mentioned loan agreements were determined with reference to the one-year loan prime rate (LPR) published by the National Interbank Funding Center (全國銀行間同業拆借中心); and (ii) the interest rates under the Specific Agreement were not higher than the interest rates offered by major commercial banks. Therefore, we do not doubt the effectiveness of the internal approval procedures.

Purpose

For the credit services provided by CEC Finance to Wuhan OVU in relation to short-term liquidity loans, acceptance and discounting of commercial bills of exchange and guarantees for non-financing purposes.

Security

The Revolving Facility is guaranteed by the Company and secured by the Charges, details of which are set out in the section headed “3. Security Documents” in the Board Letter.

A. *The Guarantee*

Principal terms of the Guarantee are as follows:

Guarantee: Subject to the condition precedents, the Company shall, on a joint and several basis, guarantee the repayment obligations of Wuhan OVU under the 2023 Facility Agreement. The scope of the Guarantee includes, inter alia, (i) the principal amount and interest of the loan; (ii) overdue interest, penalty and damages accrued due to breach of contract; and (iii) other expenses of CEC Finance in realising the debts in default.

Term of Guarantee: The term of the Guarantee shall be, in respect of each Specific Agreement, two years commencing on the expiry date of repayment obligation under that Specific Agreement.

We noted that there were guarantee agreements associated with certain Individual Loan Agreements. The term of guarantee pursuant to the guarantee agreements was generally the second or third anniversary of the expiry date of the repayment obligation pursuant to the such Individual Loan Agreements.

In addition, we also searched from the Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange and noted that (i) it is not uncommon for listed company to provide guarantee for its subsidiary in respect of such subsidiary’s borrowing; and (ii) there was adoption of a two-year period from the fulfilment of repayment obligation.

Based on the above, we are of the view that the term of Guarantee is fair and reasonable.

LETTER FROM GRAM CAPITAL

B. The Charges

Principal terms of the Charges are as follows:

	The Huangshi OVU Charge	The OV Financial Harbour Development Charge	The Xi'an Industrial Park Charge
Date	25 October 2023	25 October 2023	25 October 2023
Parties	Huangshi OVU (as chargor) and CEC Finance (as chargee)	OV Financial Harbour Development (as chargor) and CEC Finance (as chargee)	Xi'an Industrial Park (as chargor) and CEC Finance (as chargee)
Charged assets (the "Charged Assets")	52 units in the office buildings for research and development located in No.185 Jinshan Boulevard, Golden Hill Development Zone, Huangshi, Hubei, the PRC* (中國湖北黃石黃金山開發區金山大道185號) with an aggregated gross floor area of approximately 19,985.84 sq.m., as security for due performance of obligations of Wuhan OVU under the 2023 Facility Agreement	The first floor and second floor of No. A5 Exhibition Center, OVU Financial Harbour, 77 Guanggu Avenue, East Lake New Technology Development Zone, Wuhan, Hubei, the PRC* (中國湖北武漢東湖新技術開發區光谷大道77號光谷金融港A5號展覽中心一樓及二樓), with a gross floor area of approximately 2,414.06 sq.m., as security for due performance of obligations of Wuhan OVU under the 2023 Facility Agreement	18 commercial units located in No. 1288 Caotan 10th Road, Xi'an Economic Development Zone, Shaanxi Province, the PRC* (中國陝西省西安市經濟開發區草灘十路1288號), with an aggregated gross floor area of approximately 24,113.34 sq.m. as security for due performance of obligations of Wuhan OVU under the 2023 Facility Agreement
Appraised value of charged assets	RMB100,009,200	RMB45,258,800	RMB130,212,300
Scope of the charges	All liabilities owed by Wuhan OVU under the 2023 Facility Agreement, including the principal and interest of the loan, overdue interest, penalty, damages and all expenses incurred by CEC Finance in enforcing and realising the debts in default.	All liabilities owed by Wuhan OVU under the 2023 Facility Agreement, including the principal and interest of the loan, overdue interest, penalty, damages and all expenses incurred by CEC Finance in enforcing and realising the debts in default.	All liabilities owed by Wuhan OVU under the 2023 Facility Agreement, including the principal and interest of the loan, overdue interest, penalty, damages and all expenses incurred by CEC Finance in enforcing and realising the debts in default.
Term of the Charges	Commence on the effective date of the Huangshi OVU Charge and end on the expiry date of the limitation period of the maturity date of the last liability under the 2023 Facility Agreement.	Commence on the effective date of the OV Financial Harbour Development Charge and end on the expiry date of the limitation period of the maturity date of the last liability under the 2023 Facility Agreement.	Commence on the effective date of the Xi'an Industrial Park Charge and end on the expiry date of the limitation period of the maturity date of the last liability under the 2023 Facility Agreement.

LETTER FROM GRAM CAPITAL

As advised by the Directors, as at 30 June 2023:

- (i) the Group's outstanding bank and other borrowings have been secured by certain assets of the Group with a total net book value of RMB4,850.5 million, including investment properties, properties under development for sale, completed properties held for sale, property, plant and equipment;
- (ii) the Group's bank and other borrowings was approximately RMB7,306.4 million, out of which approximately RMB3,682.5 million was secured by assets.

The pledged assets value of approximately RMB4,850.5 million accounted for approximately 132% of the bank and other borrowings with secured assets (i.e. RMB3,682.5 million).

The pledged assets value of the Charged Assets (i.e. RMB275,480,300 in total) accounted for approximately 31.4% (the "**Percentage Ratio**") to the maximum revolving facility of RMB878,000,000. The Percentage Ratio is lower than the percentage of pledged assets value to the bank and other borrowings with secured assets as at 30 June 2023.

Pursuant to the agreements in respect of the Charges, if any of the following circumstances occur during the term of the Charges, CEC Finance (being the chargee) is entitled to enforce the Charged Assets, (i) the Borrower does not settle its debt obligation pursuant to the 2023 Facility Agreement upon the maturity or maturity in advance of the debt obligation pursuant to the 2023 Facility Agreement; or (ii) when the charge right pursuant to the agreements is endangered, the borrower (i.e. Wuhan OVU in this case) fails to fulfill the repayment responsibility or chargors fails to fulfill the guarantee responsibility.

Given the above and having also considered that the Percentage Ratio is lower than the percentage of pledged assets value to the bank and other borrowings with secured assets as at 30 June 2023, we are of the view that the arrangement of the Charges is justifiable.

The New Caps

The table below sets out (i) the historical maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance pursuant to the 2022 Facility Agreement; and (ii) the New Caps.

	From 20 October 2022 to 31 December 2022 (RMB'million)	From 1 January 2023 to 19 October 2023 (RMB'million)
Previous caps under the 2022 Facility Agreement	880	880
Maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance	465	880
Utilisation rates	52.84%	100%

LETTER FROM GRAM CAPITAL

	From 18 December 2023 to 31 December 2023 (RMB'million)	From 1 January 2024 to 17 December 2024 (RMB'million)
Maximum daily amount of outstanding loans owed by Wuhan OVU to CEC Finance	878	878

In determining the New Caps, the Directors have taken into account certain factors, details of which are set out under the section headed “New Caps and basis of determination” of the Board Letter.

To assess the fairness and reasonableness of the New Caps, we conducted the following analyses:

- According to the above table, we noted that the previous cap was fully utilised for the period from 1 January 2023 to 19 October 2023.
- There is no material difference between existing cap from the period from 20 October 2022 to 19 October 2023 and the New Caps.
- According to Wuhan OVU’s consolidated financial statements for the nine months ended 30 September 2023, Wuhan OVU recorded short-term borrowing of approximately RMB2,543 million as at 30 September 2023. In addition, Wuhan OVU recorded proceeds from borrowings of approximately RMB2,176 million and repayment for borrowings of approximately RMB2,110 million for the nine months ended 30 September 2023. It indicated the possible demand of potential borrowings by Wuhan OVU Group.

Having considered the above factors, we are of the view that the New Caps are fair and reasonable.

Shareholders should note that as the New Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the term of the 2023 Facility Agreement, and they do not represent forecasts of revenue/cost to be recorded/incurred from the 2023 Facility Agreement. Consequently, we express no opinion as to how closely the actual revenue/cost to be recorded/incurred from transactions contemplated under the 2023 Facility Agreement will correspond with the New Caps.

We also noted that meetings of the Company’s finance department, with the attendance of audit, legal, finance and other related departments, will be convened on a monthly basis, to keep abreast of the Single Loan(s) granted by CEC Finance to Wuhan OVU and to reasonably formulate recommendations on financing arrangements of the Company for the next month, which shall also be reported to the management of the Company. We consider the effective implementation of the aforesaid internal control procedure will ensure the New Caps being not exceeded.

In light of the above, we consider that the terms of the Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

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 Transactions must be restricted by the New Caps for the period concerned under the 2023 Facility Agreement; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

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 Transactions (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 Transactions are anticipated to exceed the New Caps, or that there is any proposed material amendment to the terms of the Transactions, 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 Transactions and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. 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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purposes only*

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	1,904,188,000 ⁽³⁾	25.14%
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 1,784,188,000 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⁾
China Electronics International Information Service Co., Ltd.* (中國中電國際信息服務有限公司) (“CEIS”)	Beneficial owner	2,550,000,000 ⁽³⁾	33.67%
CEC	Interest in controlled corporation	2,550,000,000 ⁽³⁾	33.67%
AAA Finance	Beneficial owner	1,784,188,000 ⁽⁴⁾	23.56%
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 ⁽⁵⁾	6.34%

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 CEIS. As CEIS is a wholly-owned subsidiary of China Electronics Co. Ltd.* (中國電子有限公司) which in turn is wholly owned by CEC, CEC was deemed to be interested in all the Shares held by CEIS under the SFO.
- (4) AAA Finance was wholly-owned by Mr. Huang Liping, an executive Director. 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.
- (5) 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.

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 Director held offices in the substantial shareholders of the Company set out above:

LIU Guilin	The chairman of the board and the Secretary of the Party Committee* (黨委書記) of China Electronics Financial Co., Ltd.* (中國電子財務有限責任公司)
XIANG Qunxiong	The chairman of the board and the Secretary of the Party Committee* (黨委書記) of China Electronics Shenzhen Co. Ltd. (深圳中電投資有限公司)

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 2022, 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 2022, 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 2022, 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 licensed corporation 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 20 November 2023 and was made by Gram Capital for incorporation in this circular.

7. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (<http://www.ceovu.com>) for a period of 14 days from the date of this circular:

- (a) the 2023 Facility Agreement;
- (b) the guarantee agreement dated 25 October 2023 in relation to the Guarantee;
- (c) the charge agreement dated 25 October 2023 in relation to the Huangshi OVU Charge;
- (d) the charge agreement dated 25 October 2023 in relation to the OV Financial Harbour Development Charge; and
- (e) the charge agreement dated 25 October 2023 in relation to the Xi'an Industrial Park Charge.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 Board Meeting Room, G/F, Banquet Hall, 1 Hotel, 4 Haitang South Road, Haitang District, Sanya, Hainan Province, the PRC on Thursday, 14 December 2023 at 9:30 a.m. (and at any adjournment thereof) 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 2023 Facility Agreement, the Guarantee, the Charges (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 2023 Facility Agreement” and “3. Security Documents” 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**
Liu Guilin
Chairman

Wuhan, Hubei, the People’s Republic of China
20 November 2023

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.
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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Tuesday, 12 December 2023 at 9:30 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 Monday, 11 December 2023 to Thursday, 14 December 2023, 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 Friday, 8 December 2023.
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.