THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

中國電子集團控股有限公司*

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

(Stock Code: 00085)

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS CEC TECHNOLOGY FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

Financial Adviser to the Company

建银国际
CCB International

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

ALTUS CAPITAL LIMITED

A notice convening a special general meeting of the Company to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 11 October 2013 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

A letter from the independent board committee of the Company containing its recommendation to the independent shareholders of the Company is set out on pages 30 to 31 of this circular. A letter from Altus Capital Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 32 to 63 of this circular.

28 August 2013

* *For identification purpose only*

CONTENTS

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

"6th Research Institute"	The 6th Research Institute of China Electronics Corporation Limited (中國電子信息產業集團有限公司第六研究所), an entity under CEC and established under the laws of the PRC
"Acquisition"	the acquisition of the 100% equity interest in CEC Technology by the Company from CEC pursuant to the terms and conditions of the Equity Transfer Agreement
"Altus Capital"	Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition as well as the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder
"associates"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of Directors
"CBRC"	China Banking Regulatory Commission
"CCBI"	CCB International Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Acquisition
"CEC"	China Electronics Corporation Limited (中國電子信息產業集團有限公司), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
"CEC Beihai"	China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司), a company established under the laws of the PRC

"CEC Finance"	China Electronics Financial Co., Ltd (中國電子財務有限責任公司), a company established under the laws of the PRC
"CEC Group"	CEC and its subsidiaries (other than the Group)
"CEC Technology"	China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司), a company established under the laws of the PRC
"CEC Technology Financial Services Agreement"	the CEC Technology Financial Services Agreement proposed to be entered into between CEC Technology and CEC Finance, in respect of financial services to be provided by CEC Finance to the Target Group after the Completion
"CEC Xi'an"	China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司), a company established under the laws of the PRC
"ChinaSoft"	China National Software & Service Co., Ltd (中國軟件與技術服務股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600536) and a subsidiary of CEC
"China Huada"	China Integrated Circuit Design Corp., Ltd (中國華大集成電路設計集團有限公司), a substantial shareholder of the Company
"Company"	China Electronics Corporation Holdings Company Limited
"Completion"	completion of the Acquisition in accordance with the terms of the Equity Transfer Agreement
"connected person"	has the meaning ascribed to this term under the Listing Rules
"DTZ"	DTZ Debenham Tie Leung Limited, an independent property valuer
"Directors"	the directors of the Company
"Enlarged Group"	the Group immediately after completion of the Acquisition

"Equity Transfer Agreement"	the agreement dated 5 July 2013 and entered into between the Company and CEC in respect of the Acquisition
"Group"	the Company and its subsidiaries
"Guangxi Future Land"	Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司), a company established under the laws of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hainan RSC"	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司), a company established under the laws of the PRC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the committee of Directors consisting of Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Yin Yongli, being all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Acquisition as well as the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder
"Independent Shareholders"	Shareholders other than CEC and its associates
"Industrial Parks"	CEC Beihai Industrial Park (中國電子北海產業園), Hainan Resort Software Community (海南生態軟件園) and CEC Xi'an Industrial Park (中國電子西安產業園)
"Latest Practicable Date"	21 August 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PBOC"	the People's Bank of China
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC

"Relevant Equity Interest"	100% equity interest in CEC Technology owned by CEC as at 5 July 2013
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, to approve (a) the Acquisition and (b) the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	CEC Technology and its subsidiaries
"%"	per cent.

For ease of reference only, the names of PRC established companies and entities have been included in this circular in both Chinese and English and the English names of these companies and entities are either English translations of their respective official Chinese names or English trade names used by them. In the event of any inconsistency between the English names and their respective Chinese names, the Chinese names shall prevail.

Unless otherwise specified in this circular, amounts denominated in RMB have been converted into Hong Kong dollars at HK$1.0 to RMB0.8 for illustration purpose only. No representation has been made by the Company that any amount has been, could have been or could be converted at the above rate or at any other rates or at all.

CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED
中國電子集團控股有限公司*

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

(Stock Code: 00085)

Non-executive Directors:
Rui Xiaowu *(Chairman)*
Zhao Guiwu *(Vice Chairman)*

Executive Directors:
Xie Qinghua *(Managing Director)*
Liu Jinping

Independent Non-executive Directors:
Chan Kay Cheung
Qiu Hongsheng
Yin Yongli

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

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

28 August 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS CEC TECHNOLOGY FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

INTRODUCTION

Reference is made to the announcements of the Company dated 26 April 2013 and 7 July 2013 in relation to, among other things, the entering into of the Equity Transfer Agreement with CEC in respect of the Acquisition and the CEC Technology Financial Services Agreement between CEC Technology and CEC Finance in respect of the financial services to be provided by CEC Finance to the Target Group incidental to the Acquisition. Pursuant to the Equity Transfer Agreement, CEC has conditionally agreed to sell and the Company has conditionally agreed to purchase 100% equity interest in CEC Technology at a consideration of RMB600 million (equivalent to approximately HK$750 million). Pursuant to the CEC Technology Financial Services Agreement, CEC Finance will provide a range of financial services to the Target Group and the Target Group will utilise such financial services on a non-exclusive basis.

* *For identification purpose only*

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Acquisition, as well as the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder. In this respect, Altus Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with, among other things, (i) information on the Acquisition as well as the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder; (ii) to set out the advice from Altus Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the same; (iii) the recommendation from the Independent Board Committee; (iv) financial information of the Group; (v) financial information of the Target Group and CEC Xi'an; (vi) unaudited pro forma financial information of the Enlarged Group; (vii) property valuation report; and (viii) to give notice of SGM.

THE EQUITY TRANSFER AGREEMENT

Date: 5 July 2013

Purchaser: the Company

Vendor: CEC

Assets to be acquired

Pursuant to the Equity Transfer Agreement, CEC has conditionally agreed to sell and the Company has conditionally agreed to purchase 100% equity interest in CEC Technology. Details of CEC Technology are set out in section headed "Information on the Target Group" below.

Consideration

The consideration for the Acquisition shall be RMB600 million (equivalent to approximately HK$750 million), which has been agreed after arm's length negotiation between the Company and CEC. The consideration represented a discount of approximately 16% to the agreed value of the Relevant Equity Interest, which was derived by the audited consolidated net asset value of the Target Group as at 30 April 2013, plus the difference between the market value and the carrying value of the property interests held by the Target Group attributable to CEC Technology as at 30 April 2013 and, if the transfer of 38.96% equity interest in CEC Xi'an to CEC Technology (as more particularly described below) is taken into account, the consideration represented a discount of approximately 14% to the agreed value of the Relevant Equity Interest.

The consideration of RMB600 million is payable in two instalments:

(a) 60% of the consideration (i.e. RMB360 million), payable within 5 business days of the date on which the Equity Transfer Agreement takes effect; and

(b) 40% of the consideration (i.e. RMB240 million), payable within 6 months of the date on which the Equity Transfer Agreement takes effect, together with the interest calculated in accordance with the prevailing benchmark lending rate of Renminbi.

Under the Equity Transfer Agreement, the consideration is payable in two instalments, where the second instalment is payable within 6 months of the date on which the Equity Transfer Agreement takes effect. In other words, the Company may choose to pay the second instalment any time before the stipulated deadline. The Company considers that this arrangement allows the Company flexibility with respect to payment timing and is in the interest of the Company.

The provision on the calculation of interest was made in accordance with applicable PRC regulations. Article 20 of the Interim Measures for the Management of the Transfer of the State-owned Property Right of Enterprises (企業國有產權轉讓管理暫行辦法) provides, among other things, that where the consideration of a transfer of state-owned property rights is paid by instalments, an interest shall be paid to the transferor on the outstanding amounts at the bank lending rates of the same period.

The actual interest to be paid will be determined based on the actual amount outstanding, the timing when the second instalment is paid, as well as the prevailing bank lending rates which may fluctuate from time to time. Therefore, it is not possible to determine the actual interest amounts at present. However, by way of illustration, assuming that the second instalment of RMB240 million will be paid on the date falling 6 months after the date on which the Equity Transfer Agreement takes effect, the maximum interest payable would be approximately RMB6.72 million, calculated at the current benchmark lending rate of the RMB at 5.60% per annum.

The Company expected that the consideration will be satisfied in cash from internal resources and borrowing facilities of the Group.

Information on the Target Group

Overview

The Target Group comprises CEC Technology and its subsidiaries. CEC Technology is wholly-owned by CEC. Mr. Xie Qinghua, Managing Director of the Company, has been one of the directors and the general manager of CEC Technology since 2007, and the chairman of the board of directors of CEC Technology since 2012.

The senior management of the Target Group comprises Mr. Xie Qinghua, the chairman of the board of directors of CEC Technology, and two deputy general managers, an assistant to the general manager, as well as senior management of the Industrial Parks. The senior managers of the Target Group have a length of service of 3 to 9 years at the Target Group and will continue to serve the Target Group after the Acquisition. The Company considers that it will have all the required expertise and personnel in running the Target Group.

The principal business activity of CEC Technology is investment holding. As at 5 July 2013, CEC Technology holds, among others, 100% equity interest in CEC Beihai, 40% equity interest in Hainan RSC and 27.27% equity interest in CEC Xi'an, respectively. Pursuant to the Equity Transfer Agreement, CEC shall procure the completion of the transfer of the 12.99% equity interest in CEC Xi'an held by ChinaSoft to CEC Technology and the transfer of the 25.97% equity interest in CEC Xi'an held by 6th Research Institute to CEC Technology before the Equity Transfer Agreement takes effect. Upon the Completion, CEC Technology will hold 100% equity interest in CEC Beihai, 40% equity interest in Hainan RSC and 66.23% equity interest in CEC Xi'an, respectively.

Pursuant to the equity transfer agreement dated 24 April 2013, CEC Technology has agreed to acquire 12.99% equity interest in CEC Xi'an from ChinaSoft at a consideration of RMB18 million. As confirmed in the announcement published by ChinaSoft (a company listed on the Shanghai Stock Exchange) on 15 August 2013, the said transfer has been completed. As confirmed by CEC Technology, the consideration of RMB18 million was funded by its internal resources.

Pursuant to the equity transfer agreement dated 31 July 2013, CEC Technology has agreed to acquire 25.97% equity interest in CEC Xi'an from 6th Research Institute at a consideration of RMB36 million, the completion of which is still subject to conditions precedent of the said agreement being fulfilled, and no consideration has been paid by CEC Technology as at the Latest Practicable Date. The Company understood that CEC Technology might utilise internal resources or external borrowings to fund the said acquisition.

The principal business activities of CEC Beihai, Hainan RSC and CEC Xi'an are the development and management of industrial parks in the PRC which provides a platform for industry players to develop electronic information technology business. CEC Beihai is engaged in the development and management of the CEC Beihai Industrial Park (中國電子北海產業園), while Hainan RSC is engaged in the development and management of the Hainan Resort Software Community (海南生態軟件園) and CEC Xi'an is engaged in the development and management of the CEC Xi'an Industrial Park (中國電子西安產業園).

Electronic information technology industrial parks

Modern information technology is a very important driving force behind the social and economic development in the 21st century, and it is the foundation for enhancing the nation's competitiveness as well as creating strategic and pillar industries. As a result of advancement and development in information technology, it is anticipated that the society would develop and prosper through the increase of economic activities, the improvement of employment conditions and the rationalisation of industrial sectors. As such, the implementation of measures in connection with information technology, which includes the construction of electronic information technology bases and industrial parks, is now taking high priority in order to transform the nation into a superpower in the electronic information technology arena.

For the purpose of promoting the development of electronic information technology industrial parks as well as enhancing the innovation and competitiveness of the relevant industrial sectors, the PRC government promulgated "Policies regarding the support for the development of the State's information technology bases and industrial parks" (《支持國家電子信息產業基地和產業園發展的若干政策》), which laid down the directions and policy support for the development of electronic information technology industrial parks in the PRC.

The vision of the Industrial Parks is to enable science and technology companies to nurture ideas, innovate and grow, and provide support to them. In addition to providing attractive areas to work, live and relax in, these industrial parks provide the following business support to the resident enterprises:

- Human resources – the Industrial Parks facilitate the recruitment and training of resident enterprises by cooperating with renowned universities, research institutes and other training institutes. They also provide support to personnel who work in the Industrial Parks by offering residential quarters, community health centres and a range of communal facilities to them.

- Financial resources and governmental support – the Industrial Parks organise various investment and financing matchmaking activities for resident enterprises. Also, as home of various science and technology companies which are generally welcome by local government for the development of knowledge-based economy, the Industrial Parks are in a good position to act as a communication platform between the local government and resident enterprises, and engage financial support from the local government for the benefit of resident enterprises.

- Infrastructure – the Industrial Parks provide infrastructure tailored for science and technology companies, for example, laboratories, open-source codes and shared use of software.

Brief information on the Industrial Parks are set out as follows:

CEC Beihai Industrial Park (中國電子北海產業園)

CEC Beihai is engaged in the development and management of the CEC Beihai Industrial Park. The CEC Beihai Industrial Park is situated in Beihai, Guangxi, with a planned total area of 3,000 mu (being approximately 2,000,000 square meters). The total area for which valid land certificates have been granted and/or there is no legal obstacles to acquire title documents amounts to approximately 157,682 square meters, as to which completed construction thereon have covered approximately 149,713 square meters, and the ongoing construction thereon have covered approximately 7,969 square meters as at 31 May 2013. Development of CEC Beihai Industrial Park commenced in 2008 and is designated for industrial, research and training, commercial and community facilities uses for the development of electronic information technology services. The CEC Beihai Industrial Park targets manufacturers of computers and computer storage, as well as enterprises engaging in software research and services, and the production of key parts of LCD monitors and A/D power. Currently, CEC Beihai Industrial Park has a total of 90 resident enterprises (including 50 enterprises under its incubation programme). While part of the developed properties were sold to resident enterprises, the remaining properties will be held for rental yields and will generate rental income after the rent free periods agreed in the initial tenancy agreements. As at 30 April 2013, CEC Technology holds 100% equity interest in CEC Beihai.

Hainan Resort Software Community (海南生態軟件園)

Hainan RSC is engaged in the development and management of the Hainan Resort Software Community. The Hainan Resort Software Community is situated in Haikou, Hainan, with a planned total area of 3,000 mu (being approximately 2,000,000 square meters). The total area for which valid land certificates have been granted and/or there is no legal obstacles to acquire title documents amounts to approximately 711,650 square meters, as to which completed construction thereon have covered approximately 139,599 square meters, and the ongoing construction thereon have covered approximately 14,434 square meters as at 31 May 2013. Development of Hainan Resort Software Community commenced in May 2009. The Hainan Resort Software Community targets enterprises engaging in software research, software outsourcing and information technology training, as well as call centres and internet media. Currently, Hainan Resort Software Community has a total of 275 resident enterprises, including Hewlett-Packard, Neusoft (東軟集團), ChinaSoft, Greatwall Information (長城信息) and Join-Cheer (久其軟件). In 2013 and 2014, Hainan Resort Software Community is focused on the development of certain expansions of the industrial park including a designated zone for the major resident enterprises, a shopping centre and a business community for the youth. In the middle to long run, Hainan Resort Software Community strives to become an industrial park for the software enterprise known nationwide. As at 30 April 2013, CEC Technology holds 40% equity interest in Hainan RSC.

CEC Xi'an Industrial Park (中國電子西安產業園)

CEC Xi'an is engaged in the development and management of the CEC Xi'an Industrial Park. The CEC Xi'an Industrial Park is situated in Xi'an, Shaanxi and has a planned total area of 470 mu (being approximately 313,333 square meters). The total area for which valid land certificates have been granted and/or there is no legal obstacles to acquire title documents amounts to approximately 134,583 square meters, as to which certain preliminary site levelling works had been carried out thereon as at 31 May 2013. The CEC Xi'an Industrial Park targets enterprises engaging in cloud computing services and service outsourcing. As at the Latest Practicable Date, CEC Xi'an Industrial Park is still at development stage. Upon completion of its development, CEC Xi'an Industrial Park will contain cloud service data centres, an underground plaza, commercial properties and hotels. Construction of CEC Xi'an Industrial Park commenced in October 2011 and the first batch of resident enterprises are expected to move in the second half of 2014. In February 2013, the Cloud Service Demonstration and Application Centre (雲端服務示範應用中心) was commissioned. The centre provides various services based on the cloud technology and also serves as a showroom to potential resident enterprises and other stakeholders of the CEC Xi'an Industrial Park. As at 30 April 2013, CEC Technology holds 27.27% equity interest in CEC Xi'an.

As at the Latest Practicable Date, the Company does not have a fixed plan for the development scale of the Industrial Parks. Further disclosures in respect of future development on the Industrial Parks will be made as and when required under the Listing Rules.

Regulatory environment

The Target Group possesses the relevant qualification certificates of real estate developers, property pre-sale permits for the development of the Industrial Parks. The Target Group also possesses the quality management system certification for the design of integrated computer information system and application software, registration of foreign trade operations and custom registration for import and export in relation to the provision of services by the Industrial Parks to their resident enterprises.

Financial information on the Target Group

As at 30 April 2013, CEC Beihai is regarded as a subsidiary of CEC Technology and each of Hainan RSC and CEC Xi'an is regarded as an associate of CEC Technology. Pursuant to the Equity Transfer Agreement, CEC shall procure the completion of the transfer of the 12.99% equity interest in CEC Xi'an held by ChinaSoft to CEC Technology and the transfer of the 25.97% equity interest in CEC Xi'an held by 6th Research Institute to CEC Technology before the Equity Transfer Agreement takes effect. As such, CEC Technology will become interested in 66.23% equity interest in CEC Xi'an upon the Completion and CEC Xi'an will become a subsidiary of CEC Technology.

The Target Group's revenue was mainly derived from sales of properties and land use rights, and rental income. For further discussion on the revenue, costs and assets of the Target Group, please refer to "Appendix I – Management Discussion and Analysis of the Target Group".

Based on the accountant's report of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix IIIA to this circular, the audited consolidated net assets of the Target Group was approximately RMB98.4 million as at 30 April 2013. The following table shows the audited consolidated results of the Target Group for each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2013 as extracted from the accountant's report of the Target Group as set out in Appendix IIIA to this circular:

	Year ended 31 December		Four months ended 30 April
	2011	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Profit/(loss) before taxation	244	87,195	(7,904)
(Loss)/profit for the year/period	(5,910)	62,606	(10,132)

Based on the accountant's report of CEC Xi'an prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix IIIB to this circular, the audited consolidated net assets of CEC Xi'an was approximately RMB89.2 million as at 30 April 2013. The following table shows the audited consolidated results of CEC Xi'an for each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2013 as extracted from the accountant's report of CEC Xi'an as set out in Appendix IIIB to this circular:

	Year ended 31 December		**Four months ended 30 April**
	2011	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Loss before taxation	8,024	7,296	3,012
Loss for the year/period	6,581	5,715	2,299

The Company understands that the total investment cost for the Target Group by CEC was approximately RMB145 million, representing the paid-in capital of CEC Technology, the investment costs of the 12.99% and 25.97% equity interests in CEC Xi'an through ChinaSoft and 6th Research Institute.

The business of the Target Group is generally in a development phase and requires capital for its continuous development. As such, the Company expects that the capital needs of the Target Group in the near future will be satisfied mainly by the internal financial resources of the Group as well as borrowings by the Group, including borrowings from CEC Finance. Information on the continuing connected transactions under the CEC Technology Financial Services Agreement is disclosed under the paragraph headed "Major Transaction and Continuing Connected Transactions – CEC Technology Financial Services Agreement". The Company intended and expected that the Target Group would be able to utilise other sources of funding and reduce reliance on CEC Finance for its financial needs as and when the Industrial Parks reach a more advanced stage of development.

Conditions precedent

The Equity Transfer Agreement shall take effect upon the following:

(i) the Equity Transfer Agreement having been signed by the legal representative or authorised representative of CEC and of the Company;

(ii) the Company and CEC having obtained all necessary internal authorisations, consents and approvals in writing in relation to the transfer of the Relevant Equity Interest;

(iii) the Equity Transfer Agreement having obtained all approvals from the relevant authority(ies) on mergers and acquisitions; and

(iv) the Equity Transfer Agreement having completed other necessary approval or filing procedures in the PRC.

Pursuant to the Equity Transfer Agreement, CEC shall procure the completion of each of the transfer of the 12.99% equity interest in CEC Xi'an held by ChinaSoft to CEC Technology and the transfer of the 25.97% equity interest in CEC Xi'an held by 6th Research Institute to CEC Technology before the Equity Transfer Agreement takes effect.

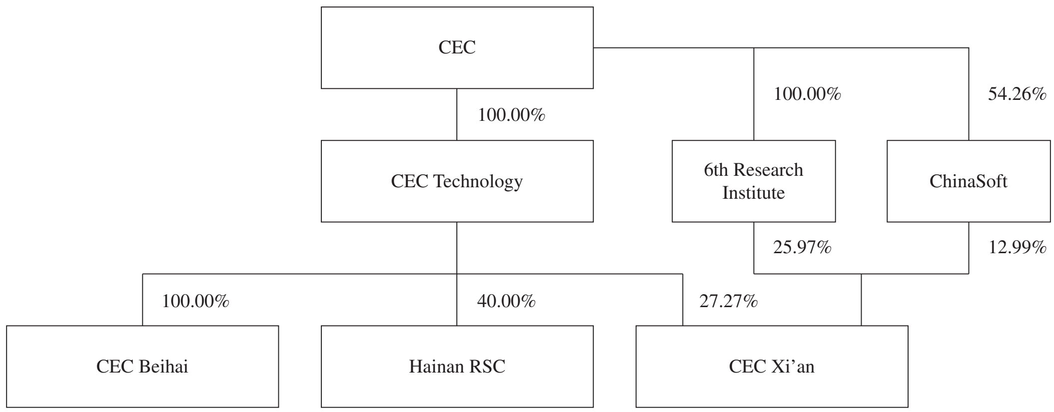
Completion is subject to, among other things, (i) the Equity Transfer Agreement taking effect as described above, and (ii) the Company having obtained the approval of the Acquisition and the continuing connected transactions incidental thereto (where applicable) at the general meeting of the Independent Shareholders in accordance with the Listing Rules.

Completion

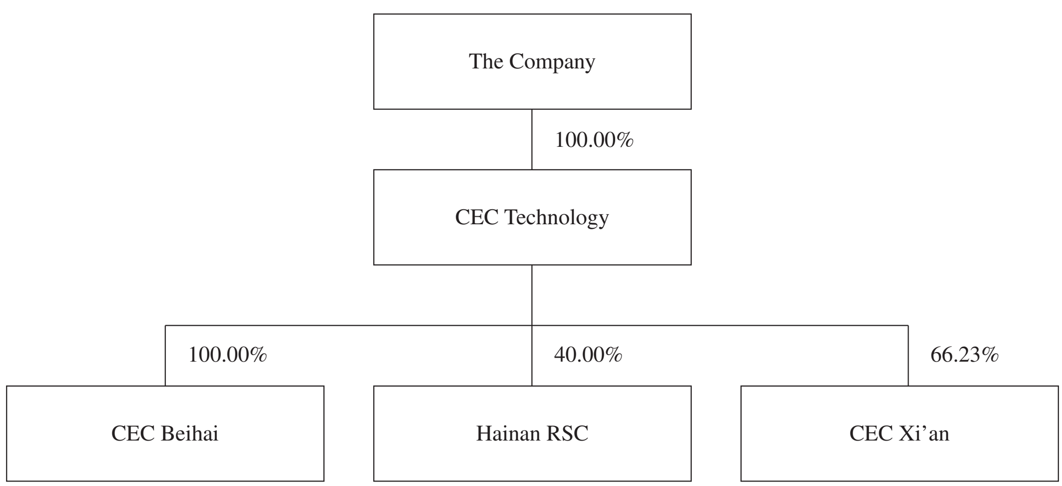
The Completion shall take place on the date on which the registration with the relevant authority of industry and commerce has completed and the issue of the business licence of CEC Technology. Upon the Completion, CEC Technology will become a subsidiary of the Company and the assets, liabilities and financial results of CEC Technology will be consolidated into the consolidated financial statements of the Company.

Shareholding structure of the Target Group

The following is the simplified shareholding structure chart of the Target Group as at 5 July 2013:



The following is the simplified shareholding structure chart of the Target Group immediately after the completion of the Acquisition:



Financial effects of the Acquisition

The Group has applied principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants for the Acquisition. Under merger accounting, the consolidated financial statements incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. Set out in Appendix IV of this circular is the "Unaudited Pro Forma Financial Information of the Enlarged Group" and the basis of preparation thereon.

Assets and liabilities

Upon the Completion, the Company will directly hold 100% equity interest in CEC Technology which will become a subsidiary of the Company. The assets and liabilities of CEC Technology and its subsidiaries will be consolidated into the consolidated financial statements of the Company.

Earnings

The results of the Target Group will be consolidated into the consolidated financial statements of the Company upon the Completion.

Working capital

The Directors are of the opinion that, after taking into account the internal resources and borrowing facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

Indebtedness

At as 30 June 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this circular, the Group, the Target Group and CEC Xi'an had outstanding borrowings of approximately HK$11.3 million, HK$425.0 million and HK$6.3 million, respectively.

The analysis of the borrowings of the Group as at 30 June 2013 are as follows:

	As at 30 June 2013 *(HK$ million)*
Current bank borrowings	1.3
Current borrowings from China Electronics Corporation (BVI) Holdings Co., Ltd	10.0
Total	11.3

The analysis of the borrowings of the Target Group as at 30 June 2013 are as follows:

	As at 30 June 2013 *(HK$ million)*
Current bank borrowings	78.8
Non-current bank borrowings	65.0
Current borrowings from CEC Finance	281.2
Total	425.0

As at 30 June 2013, CEC Xi'an had non-current borrowings from a government-controlled entity of HK$6.3 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, at 30 June 2013, any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowing including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

Gearing ratio

As at 31 December 2012, the gearing ratio of the Group was 40.3% (calculated as the total liabilities over total assets of the Group). As set out in Appendix IV of this circular, assuming 31 December 2012 is the date of the Completion, the gearing ratio of the Group will be 89.5%.

Valuation of the property interests

To comply with the Listing Rules, the Company has engaged DTZ to value the property interests of the Target Group. Details of the property valuation report are set out in Appendix V of this circular. Disclosure of the reconciliation of the net book value and the valuation as required under Rule 5.07 of the Listing Rules is set out below:

	(RMB'000)
Net book value of the property interests held by the Target Group as at 30 April 2013	316,729
Depreciation charge in May 2013	(70)
Valuation surplus	15,278
Valuation of property interests of the Target Group as at 31 May 2013	331,937
Valuation of property interests of CEC Xi'an attributable to CEC Technology as at 31 May 2013	15,271
Valuation of property interests of Hainan RSC attributable to CEC Technology as at 31 May 2013	566,545
Valuation of property interests of Guangxi Future Land attributable to CEC Technology as at 31 May 2013	251,005
Valuation as set out in the property valuation report in Appendix V of this circular	1,164,758

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS – CEC TECHNOLOGY FINANCIAL SERVICES AGREEMENT

Background

Currently, CEC Finance provides various financial services to the Target Group. It is expected that these financial services will continue after the Acquisition. As CEC Technology will become a wholly-owned subsidiary of the Company after the Completion, these financial services between CEC Finance and the Target Group will, upon the Completion, become continuing connected transactions of the Company. Such financial services include:

(a) deposit services, including but not limited to time deposits, call deposits and negotiable deposits;

(b) provision of financial assistance, including but not limited to unsecured and secured RMB and foreign currencies loans, finance leasing, discounting of bank acceptance bills and commercial acceptance bills and factoring of account receivables; and

(c) provision of fee- and commission-based financial services, including but not limited to guarantee services, fund management, agency services and financial consultancy services.

The Company proposes that CEC Technology shall enter into the CEC Technology Financial Services Agreement with CEC Finance, with a view to govern the terms of the financial services provided by CEC Finance to the Target Group after the Acquisition.

CEC Technology Financial Services Agreement

The CEC Technology Financial Services Agreement would not create any obligation on the part of the Target Group to utilise any particular services of CEC Finance. Other than time deposits which have specified deposit terms, the Target Group may at any time withdraw the funds deposited with CEC Finance without incurring any penalty. CEC Finance is one of a number of financial institutions which provide financial services to the Target Group. The Target Group may obtain financial services available from any other financial institutions in addition to or instead of CEC Finance, as it sees fit.

The interest rates for the Target Group's deposits with CEC Finance will be determined by reference to, and shall not be less than, the rates offered to the Target Group by other domestic commercial banks for comparable deposits.

The interest rates for the financial assistance provided by CEC Finance to the Target Group will be determined by reference to, and shall not be higher than, the rates offered to the Target Group by other domestic commercial banks for comparable financial assistance.

The fees and commissions for the fee- and commission-based financial services provided by CEC Finance to the Target Group will be determined by reference to, and shall not be higher than, the fees and commissions charged by other domestic commercial banks or financial institutions for the same type of financial services.

The interests on the deposits and the financial assistance, and the fees and commissions for the fee- and commission-based financial services will be payable in cash according to the terms of the deposits, financial assistance or financial services provided.

To the Group's understanding, the PBOC promulgates standard or reference rates for certain loan and deposit services, in which case domestic commercial banks are expected to price their services within the stipulated rates. If such a standard or reference rate exists, the Target Group would refer to such standard or reference rates before agreeing with CEC Finance on the pricing of the relevant financial service. Such standard or reference rates are less common for fee- and commission-based financial services. In any case, before making a deposit with, seeking financial assistance from or using fee- and commission-based financial services from CEC Finance, the Target Group would obtain the interest rates and/or fee/commission (as appropriate) offered by one or two reputable domestic commercial banks or financial institutions which the Target Group has established business relationship and compare that with the interest rates and/or fee/commission offered by CEC Finance.

The CEC Technology Financial Services Agreement is subject to the approval of the Independent Shareholders and will take effect from the date of the Completion and expire on 30 June 2016. Upon expiry of the CEC Technology Financial Services Agreement, the agreement may be renewed for further terms of three years if the parties so agree, subject to compliance of the requirements under the Listing Rules.

Historical transaction amounts of financial services between CEC Finance and the Target Group

Type of transaction	**Historical transaction amounts**			
	for the year ended 31 December			**for the four months ended 30 April**
	2010 *(RMB'000)*	**2011** *(RMB'000)*	**2012** *(RMB'000)*	**2013** *(RMB'000)*
Provision of deposit services by CEC Finance to the Target Group				
Maximum daily balance of deposits (together with the interests accrued thereon) maintained by the Target Group with CEC Finance.	109,110	128,954	143,940	29,694
Provision of financial assistance by CEC Finance to the Target Group				
Maximum daily balance of financial assistance provided by CEC Finance to the Target Group *(Note 1)*.	30,000	40,000	160,000	160,000
Provision of fee- and commission-based financial services by CEC Finance to the Target Group				
Fees and commissions payable by the Target Group to CEC Finance.	–	26	70	60

Note:

1. Apart from unsecured RMB and foreign currencies loans, the Target Group may be required to provide security for certain types of financial assistance to be provided by CEC Finance.

Proposed caps for the CEC Technology Financial Services Agreement

It is expected that for each of the years ending 31 December 2013, 2014 and 2015 and the six months ending 30 June 2016, the maximum daily balance of the deposits and the financial assistance, and the fees and commissions for the fee- and commission-based financial services payable by the Target Group, will not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the CEC Technology Financial Services Agreement accordingly:

Type of transaction	For the year ending 31 December			For the six months ending 30 June
	2013	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Provision of deposit services by CEC Finance to the Target Group				
Maximum daily balance of deposits (together with the interests accrued thereon) maintained by the Target Group with CEC Finance.	400,000	400,000	200,000	230,000
Provision of financial assistance by CEC Finance to the Target Group				
Maximum daily balance of financial assistance provided by CEC Finance to the Target Group *(Note 1)*.	400,000	400,000	200,000	230,000
Provision of fee- and commission-based financial services by CEC Finance to the Target Group				
Fees and commissions payable by the Target Group to CEC Finance.	750	750	750	750

In arriving at the above caps for the provision of deposit services by CEC Finance to the Target Group, the Company and CEC Technology have made reference to the cash flow position and the treasury policy of the Group and of the Target Group, that is to maintain safety of cash resources, to retain flexibility in the deployment of funds, to ensure sufficient liquidity, to support operational needs, as well as to minimise financing cost and to achieve reasonable return from surplus funds. The maximum daily balance of deposit was arrived at taking into consideration of the annual cap relating to the provision of financial assistance by CEC Finance to the Target Group. In particular, as part of its treasury policy, CEC is prepared to provide annual financial assistance of the above amounts to the Target Group through CEC Finance. The proposed annual caps is determined with reference to the possible capital and operational needs of the Target Group, which the Company and CEC Technology understand to be the limit proposed by CEC Finance based on their internal assessment on the maximum amount of unsecured and secured financial assistance which they may provide to the Target Group. In return for the financial assistance provided by CEC Finance, the proposed maximum daily balance of deposit was set at a level which is the same as the limit of the financial assistance that could be provided. The reason for the increased estimated caps for the year of 2013 and 2014 as compared to the historical transaction amounts of financial assistance between CEC Finance and the Target Group is mainly to cater for the possible requirement of funding for the investment in the Industrial Parks. The Company estimates that the possible need for investment in the Industrial Parks will principally consist of (i) the construction costs for buildings and facilities necessary for attracting manufacturers of computers and computer storage, as well as enterprises engaging in software research and services, and the production of key parts of LCD monitors and A/D power in CEC Beihai Industrial Park; (ii) the construction costs for buildings and facilities necessary for attracting enterprises engaging in software research, software outsourcing and information training as well as call centres and internet media in Hainan Resort Software Community; (iii) the construction costs for buildings and facilities necessary for attracting enterprises engaging in cloud computing services and service outsourcing in CEC Xi'an Industrial Park; and (iv) the funding requirement in respect of the consideration of RMB36 million relating to the proposed acquisition of the additional equity interest in CEC Xi'an from 6th Research Institute by CEC Technology. While the financing from CEC Finance provided financing alternative to the Target Group, the Company estimated that as the Industrial Parks reach a more advanced stage of development from the year of 2015 onwards, it is intended and expected that the Target Group would be able to utilize other sources of funding and reduce reliance on CEC Finance for its possible financial needs and hence less funding from CEC Finance is expected for 2015. Despite the expectation of less reliance on CEC Finance, increase of the cap for 2016 as compared to 2015 is to accord with the current estimate that additional funding would be required for further development on one of the Industrial Parks in 2016 and hence a need for increased cap to allow flexibility in financing alternatives. The Company wishes to emphasise that the caps are estimated figures that were to allow the Target Group more flexibility in terms of financing alternatives for its operation (including but not limited to the development on the Industrial Parks).

In arriving at the above caps for the fees and commissions payable for the provision of fee- and commission-based financial services by CEC Finance, the Company and CEC Technology have made reference to the possible demand of the fee- and commission-based financial services provided by CEC Finance to the Target Group and the fees and commissions payable for such services.

Financial effects of the transactions under CEC Technology Financial Services Agreement

In respect of the transactions under the CEC Technology Financial Services Agreement, the Company is of the view that: (1) the cash deposited by the Target Group with CEC Finance will generate interest at a rate not less than the rates offered to the Target Group by other domestic commercial banks for comparable deposits; and (2) the Target Group is able to obtain financial assistance from CEC Finance at an interest rate not higher than the rates offered to the Target Group by other domestic commercial banks for comparable financial assistance. The Company is of the view that the provision of fee- and commission-based financial services by CEC Finance to the Target Group would not have any significant impact on the earnings, assets and liabilities of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE ENTERING INTO THE CEC TECHNOLOGY FINANCIAL SERVICES AGREEMENT

The Board believes the Acquisition and the CEC Technology Financial Services Agreement incidental to the Acquisition are in line with the development strategies of the Group, and will bring long-term and strategic benefits to the Group, including but not limited to the following:

The Acquisition

As a result of the rolling out of supportive policies that are designed to enhance the growth of the information technology industry as well as the room for growth that is being expanded by the nationwide rural-urban transformation, the Board believes that the outlook of electronic information technology industrial parks is positive and that by tapping into this sector, the Company will be able to leverage this opportunity to extend its principal business of designing and developing integrated circuits into the electronic information technology industrial parks sector and complement their existing information technology facilities with a view to accelerating development of the electronic information technology industrial parks and achieving growth for the Company.

The Company takes a positive view on the development of the electronic information technology industrial parks in the PRC and, with the support that will be given under the relevant policies, it is anticipated that the electronic information technology industrial parks will see considerable growth. It is further expected that by participating in the development and management of electronic information technology industrial parks, the Company will be in a good position to capture the opportunities that will be presented by the electronic information technology sector and enable the Company to upgrade the conventional industries by integrating them with modern information technology and urbanisation.

It is anticipated that, subsequent to the Acquisition, the Company will step up its efforts in developing the Target Group by leveraging on its strong information technology expertise and client network, and the Board believes that such efforts will eventually realise income earning potential of the Target Group which will, in turn, enhance the quality of the assets held by the Group and thereby enhancing the Group's profitability and growth.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition under the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CEC Technology Financial Services Agreement

CEC Finance is a non-bank financial institution approved and regulated by the PBOC and the CBRC. CEC Finance was established for the purpose of enhancing the centralised management of funds within the CEC Group and for improving the fund utilisation efficiency of the CEC Group as a whole. CEC Finance is permitted to provide various financial services such as deposit services, loan services, finance leasing and investment services to the CEC Group.

The main reasons and advantages for the Target Group's utilising the financial services provided by CEC Finance are as follows:

(i) CEC Finance has been providing various financial services to the Target Group prior to the Acquisition. Therefore, in order to maintain stability in the financial operation of the Target Group, it is beneficial and commercially sensible for the Target Group to continue such arrangements.

(ii) The interest rates on deposits and financial assistance offered by CEC Finance to the Target Group will be no less favourable than those offered by other domestic commercial banks. CEC Finance is also ready to provide financial assistance to the Target Group on an unsecured basis. The fees and commissions for the fee- and commission-based financial services provided by CEC Finance will not be higher than those charged by other domestic commercial banks or financial institutions.

(iii) CEC Finance is regulated by the PBOC and the CBRC and provides its services in accordance and in compliance with the rules and operational requirements of these regulatory authorities.

(iv) The Target Group is expected to benefit from CEC Finance's better understanding of the operations of the Target Group which will allow expedient and efficient service provision. The Target Group also expects that as an intra-group service provider, CEC Finance will generally have a better and more efficient communication with the Target Group compared with other domestic commercial banks or financial institutions.

(v) The CEC Technology Financial Services Agreement will provide the Target Group with the right and flexibility, which it may choose to utilise the different kinds of financial assistance provided by CEC Finance and secure an additional and stable financing for its operations.

The Directors (including the independent non-executive Directors) are of the view that the terms of the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUTURE PLAN ON ACQUISITION AND DISPOSAL

As at the Latest Practicable Date, the Company has no immediate plans to dispose of its business or assets, and has not entered into any written agreements and/or memorandum of understanding with respect to the same. The Company will continuously monitor its business portfolio as well as the performance of its existing business and the Industrial Parks. If necessary, the Company will enter into transactions with a view to ensuring progressive return to its shareholders.

The Company made an announcement on 25 June 2013 on the Strategic Cooperation Framework Agreement in relation to the construction of Beibu Gulf Eco-Wisdom Electronics City. The said project is still under evaluation by the government authority and there have been no substantial updates since date of the announcement. Subject to decision by the Company, the Company may decide to use CEC Beihai as the vehicle in the Group's development of this project.

The Company will comply with all the relevant requirements under the Listing Rules and the SFO and announcement(s) will be made by the Company as and when appropriate.

RISK FACTORS

Risks relating to the business of the Target Group

The business of the Target Group is dependent on the information technology sector in China

The business of the Target Group depends on the growth of the information technology sector in China, particularly the electronic information technology sector, which is the driving force behind the demand for the Industrial Parks. Although the information technology sector is demonstrating a growing trend which is in part supported by favourable government policies, any negative trend in the information technology sector or other restrictive policies may materially and adversely affect the business, financial condition and results of operations of the Target Group.

The Target Group's results of operations substantially depend on its ability to execute its business strategy and the development of the Industrial Parks

The Target Group's results of operations substantially depend on the successful execution of its business strategy and the development of the Industrial Parks to attract high quality clients, achieve market rental rates and improve the surrounding infrastructure.

The Target Group may face challenges in implementing its strategies, and its ability to achieve its goals may be adversely affected by various factors, some of which are beyond its control. If the Target Group is not able to execute its business strategy or successfully develop the Industrial Parks, the Target Group's business, results of operations and financial condition will be materially and adversely affected.

The Target Group may not be able to replace or renew all of the existing lease agreements upon their expiration

The Company cannot assure that the Target Group will be able to replace or renew most or all of the existing lease agreements upon their expiration, that the Target Group will be able to maintain its existing occupancy rates, and that the Target Group will be able to increase rental rates. If the Target Group is unable to renew or replace these lease agreements at higher rental rates, the Target Group's business, financial condition and results of operations could be materially and adversely affected.

Risk relating to the Acquisition

The Acquisition is subject to regulatory approval by authorities in the PRC

Completion is conditional upon, amongst other things, the Equity Transfer Agreement having completed all the necessary approval and/or filing procedures in the PRC. The aforesaid approval and filing procedures are subject to various factors some of which are beyond the Company's control, and the Company cannot guarantee whether and when the necessary approval and/or filing procedures will be completed. If the necessary approval not being granted, Completion could not take place which could eventually materially and adversely affect the Company's business, financial condition and results of operations.

INFORMATION ON THE PARTIES

(a) Information on the Group

The Company is an investment holding company. The principal activities of the Group are the design, research and development and sale of integrated circuits.

(b) Information on CEC

CEC is a state-owned enterprise established under the laws of the PRC. Established in 1989 with the approval of the State Council of the PRC, CEC is a nationwide electronics and information technology conglomerate directly administered by the PRC government. CEC actively focuses on communications, consumer electronics, semi-conductor and software sectors in the PRC.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CEC was interested in approximately 71.30% of the issued share capital of the Company. CEC is the ultimate controlling shareholder of the Company and thus is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company.

CEC Finance is a subsidiary of CEC. As such, CEC Finance is a connected person of the Company under the Listing Rules and upon the Completion, the CEC Technology Financial Services Agreement and the transactions thereunder will constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios referred to in Chapters 14 and 14A of the Listing Rules for the Acquisition exceed 25% but all of which are less than 100%, the Acquisition constitutes a major transaction and connected transaction of the Company under Chapter 14 and 14A of the Listing Rules respectively and is subject to requirements for reporting, announcement and independent shareholders' approval.

The Company considers that the nature of the continuing connected transactions under the CEC Technology Financial Services Agreement are similar to the continuing connected transactions under the 2013-2016 comprehensive financial services agreement dated 7 May 2013 between the Company and CEC Finance, and the relevant annual caps of the transactions under the two agreements should be aggregated for the purpose of determining the classification of the continuing connected transactions and their compliance requirements. Taking into account the continuing connected transactions under the two agreements, one or more of the applicable aggregated percentage ratios referred to in Chapters 14 and 14A of the Listing Rules exceed 25% but all of which are less than 100%, and therefore the provision of financial services under the CEC Technology Financial Services Agreement constitute a major transaction and continuing connected transactions of the Company under Chapter 14 and 14A of the Listing Rules respectively and are subject to requirements for reporting, announcement and independent shareholders' approval.

None of the Directors have a material interest in the Acquisition and the CEC Technology Financial Services Agreement and/or the transactions thereunder. Accordingly, no Director was required to abstain from voting on the board resolutions in respect thereof.

SGM

A notice convening the SGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 11 October 2013 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. At the SGM, resolutions will be proposed to approve (a) the Acquisition and (b) the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder. Any connected person with a material interest in the transaction, and any Shareholder with a material interest in the transaction and its associates will not vote. As such, CEC and its associates shall abstain from voting on the resolutions approving the Acquisition and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, all the above resolutions shall be taken by poll at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

BOOK CLOSURE PERIOD

Shareholders whose names appear on the register of members of the Company on 11 October 2013 will be entitled to attend and vote at the SGM. The register of members of the Company will be closed from 9 October 2013 to 11 October 2013 (both days inclusive), during which period no transfer of shares of the Company will be registered.

In order to be entitled to attend and vote at the SGM, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 October 2013.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors are of the view that (a) the Acquisition and (b) the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder are fair and reasonable and the entering into of the Equity Transfer Agreement and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder are 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 resolutions to be proposed at the SGM in relation to (a) the Acquisition and (b) the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder.

FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China Electronics Corporation Holdings Company Limited
Rui Xiaowu
Chairman

CEC
中国电子
CHINA ELECTRONICS

CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED
中國電子集團控股有限公司*

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

(Stock Code: 00085)

28 August 2013

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS CEC TECHNOLOGY FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

We refer to the circular of the Company dated 28 August 2013 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders in relation to the Acquisition, and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder. In this connection, Altus Capital has been appointed as the independent financial adviser to advise on these matters.

* *For identification purpose only*

Your attention is drawn to the "Letter from the Board" set out on pages 5 to 29 of the Circular which contains, inter alia, information about the terms of the Acquisition, and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder, the "Letter from Altus Capital" set out on pages 32 to 63 of the Circular which contains the advice from Altus Capital in respect of the Acquisition, and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder, and the additional information set out in the Appendices thereto.

We, having considered the terms of the Acquisition, and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder and having taken into account the principal factors and reasons considered by Altus Capital as stated in its letter of advice, consider that the terms of the Acquisition, and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in relation to the Acquisition, and the CEC Technology Financial Services Agreement and the proposed caps of the transactions thereunder, as detailed in the notice of SGM set out on pages SGM-1 to SGM-2 of the Circular.

Yours faithfully,
Independent Board Committee

Chan Kay Cheung	**Qiu Hongsheng**	**Yin Yongli**

Independent non-executive Directors

The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the transactions contemplated under the CEC Technology Financial Services Agreement and the proposed annual caps relating thereto which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

28 August 2013

To the Independent Board Committee and
the Independent Shareholders

China Electronics Corporation Holdings Company Limited
Room 3403, 34th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN CEC TECHNOLOGY AND MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS CEC TECHNOLOGY FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

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 Acquisition, the transactions contemplated under the CEC Technology Financial Services Agreement and the proposed annual caps relating thereto. Details of the Acquisition, the transactions contemplated under the CEC Technology Financial Services Agreement and the proposed annual caps relating thereto are set out in the "Letter from the Board" contained in the circular of the Company dated 28 August 2013 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

On 5 July 2013, the Company and CEC entered into the Equity Transfer Agreement pursuant to which the Company conditionally agreed to acquire and CEC conditionally agreed to sell the 100% equity interest in CEC Technology at a consideration of RMB600 million (equivalent to approximately HK$750 million). Incidental to the Acquisition, CEC Technology and CEC Finance will enter into the CEC Technology Financial Services Agreement pursuant to which, CEC Finance will provide a range of financial services to the Target Group and the Target Group will utilise such financial services on a non-exclusive basis.

As at the Latest Practicable Date, CEC, which was interested in approximately 71.30% of the issued share capital of the Company, was the ultimate controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company.

As at the Latest Practicable Date, CEC Finance, being a subsidiary of CEC, was also a connected person of the Company under Chapter 14A of the Listing Rules. Upon Completion, the CEC Technology Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios referred to in Chapters 14 and 14A of the Listing Rules for the Acquisition exceed 25% but all of which are less than 100%, the Acquisition constitutes a major acquisition and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules respectively and is subject to the reporting, announcement and independent shareholders' approval requirements.

The Company considers that the nature of the respective headings under the CEC Technology Financial Services Agreement are similar to the continuing connected transactions under the 2013-2016 Financial Services Agreement dated 7 May 2013 between the Company and CEC Finance, and the relevant annual caps of the transactions under the two agreements should be aggregated for the purpose of determining the classification of the continuing connected transaction and their compliance requirements. Taking into account the continuing connected transactions under the two agreements, one or more of the applicable aggregated percentage ratios referred to in Chapters 14 and 14A of the Listing Rules exceed 25% but all of which are less than 100%, and therefore the financial services to be provided under the CEC Technology Financial Service Agreement constitute a major transaction and continuing connected transactions of the Company under Chapter 14 and 14A of the Listing Rules respectively and is subject to the reporting, announcement and independent shareholders' approval requirements.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Yin Yongli, has been established to consider the Acquisition, the transactions contemplated under the CEC Technology Financial Services Agreement and the proposed annual caps relating thereto, and to give advice and recommendation to the Independent Shareholders as to whether the Acquisition, the transactions contemplated under the CEC Technology Financial Services Agreement and the annual caps relating thereto are fair and reasonable and in the interests of the Company and the Shareholders as a whole and on how to vote on the resolutions to be proposed at the SGM.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Acquisition and the transactions contemplated under the CEC Technology Financial Services Agreement and the annual caps relating thereto are in the interests of Company and the Shareholders as a whole; (ii) whether the Acquisition and the transactions contemplated under the CEC Technology Financial Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the proposed annual caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolutions relating to the Acquisition and the transactions contemplated under the CEC Technology Financial Services Agreement and the proposed annual caps at the SGM.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

(I) THE ACQUISITION

Principal factors and reasons considered

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

1. Background information

1.1 Information on the Group

The principal activities of the Group are the design, research and development and sale of integrated circuits.

Set out below is a summary of financial highlights of the Group for the two years ended 31 December 2011 and 2012 as extracted from the annual report of the Company for the year ended 31 December 2012 (the "2012 Annual Report").

	Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	995,111	1,155,632
Cost of sales	(665,832)	(703,904)
Profit before taxation	131,229	225,523
Taxation	(16,570)	(27,939)
Profit for the year	114,659	197,584

	As at 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
	(audited)	(audited)
Cash and bank balances	329,453	476,619
Total assets	1,054,878	1,348,706
Short term bank loans	24,670	1,233
Total liabilities	447,299	542,904
Net asset values	607,579	805,802

Source: The 2012 Annual Report

Revenue for the year ended 31 December 2012 amounted to approximately HK$1,156 million, representing an increase of approximately 16.1% over the previous year. Profit for the year ended 31 December 2012 amounted to approximately HK$198 million, representing an increase of approximately 72.3%. The turnover and profit growth was mainly attributable to the improvement in product mix in the Group's telecommunications card chips business, increase in sales volume, and efforts to step up cost control.

As described in the 2012 Annual Report, the Group financed its operations primarily by internal resources and short term bank loans. As at 31 December 2012, the Group had cash and cash equivalents amounting to approximately HK$477 million and such cash had largely remained undeployed. As confirmed by the management of the Company, the Group's aggregate undrawn committed borrowing facility had meanwhile amounted to approximately HK$421 million as at the Latest Practicable Date.

The gearing ratio of the Group (as calculated as the total liabilities over total assets of the Group) fell from approximately 42.4% as at 31 December 2011 to approximately 40.3% as at 31 December 2012 as the Group reduced its short term bank loans from approximately HK$24.7 million to approximately HK$1.2 million during the corresponding years. Other than short term bank loans, all other liabilities were related to trade and other payables.

As described in the 2012 Annual Report, the Group anticipated that with the continuing increase in investment in the banking, social security and Internet of Things sectors domestically, the overall market size of the PRC smart cards industry is expected to grow at a steady pace. Nevertheless, the Group expects market competition to further intensify due to factors such as increasing domestic economic difficulties and the slowing down in economic growth. Notwithstanding that the Group had shown year-on-year growth in profits, the above negative factors are expected to hinder the growth potential of the Group's current card chips business. Facing such increasing market competition, the Group had been proactively responding to market changes, fine-tuning and optimising its product mix. The Group had also been seeking opportunities in expanding into new business coverage and extending its industry value chain. In line with the above strategy and in view of the favourable policies in relation to the development of electronic information technology industrial parks in the PRC as described in section 2.1 below, the Directors believe that it is an opportune time to propose the Acquisition with a view to extending and broadening the Group's existing business into the area of electronic information technology industrial parks.

1.2 Information on CEC

CEC is a state-owned enterprise established under the laws of the PRC. Established in 1989 with the approval of the State Council of the PRC, CEC is a nationwide electronics and information technology conglomerate directly administered by the PRC government. CEC is engaged in, among others, communications, consumer electronics, semi-conductor, software sectors and provision of electronic commerce and related industrial park services in the PRC.

1.3 Information on the Target Group

The Target Group comprises CEC Technology and its subsidiary, being CEC Beihai; with Hainan RSC and CEC Xi'an being regarded as associates of CEC Technology. CEC Technology is wholly-owned by CEC. Mr. Xie Qinghua, Managing Director of the Company, has been one of the directors and the general manager of CEC Technology since 2007, and the chairman of the board of directors of CEC Technology since 2012.

The principal business activity of CEC Technology is investment holding. As at the Latest Practicable Date, CEC Technology was interested in, among others, 100% equity interest in CEC Beihai, 40% equity interest in Hainan RSC and 40.26% equity interest in CEC Xi'an. Pursuant to the Equity Transfer Agreement, CEC shall also procure the transfer of the 25.97% equity interest in CEC Xi'an currently held by 6th Research Institute to CEC Technology before the Equity Transfer Agreement takes effect. Consequently, upon Completion, CEC Technology will, among others, hold 100% equity interest in CEC Beihai, 40% equity interest in Hainan RSC and 66.23% equity interest in CEC Xi'an. In addition to the aforesaid equity interest, CEC Technology also has a 100% equity interest in 澄邁中電科技開發有限公司, a dormant limited liability company incorporated in the PRC. Details of the simplified shareholding structure of the Target Group are set out in the paragraph headed "Shareholding structure of the Target Group" in the "Letter from the Board" of the Circular.

The principal business activities of CEC Beihai, Hainan RSC and CEC Xi'an are the development and management of industrial parks in the PRC which provide a platform for industry players to develop electronic information technology business.

- CEC Beihai is engaged in the development and management of the CEC Beihai Industrial Park;

- Hainan RSC is engaged in the development and management of the Hainan Resort Software Community; and

- CEC Xi'an is engaged in the development and management of the CEC Xi'an Industrial Park.

As described in the section headed "Financial information on the Target Group" in the "Letter from the Board" of the Circular, as at 30 April 2013, CEC Beihai was regarded as a subsidiary of CEC Technology and each of Hainan RSC and CEC Xi'an was regarded as an associate of CEC Technology. After the transfer of the respective 12.99% and 25.97% equity interest in CEC Xi'an from ChinaSoft and 6th Research Institute to CEC Technology as described above, CEC Technology will become interested in 66.23% equity interest in CEC Xi'an, and CEC Xi'an will become a subsidiary of CEC Technology.

Set out below is a summary of the financial highlights of the Target Group (with CEC Xi'an being regarded as an associate of CEC Technology) for the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013 as extracted from "Accountant's report of the Target Group" set out in Appendix IIIA to the Circular.

	Year ended 31 December		**Four months ended 30 April**
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	14,301	9,015	987
Cost of sales	(8,072)	(5,053)	(146)
Share of profit/(loss) of associates	27,152	32,764	(9,493)
Profit/(loss) before taxation	224	87,195	(7,904)
(Loss)/profit for the year/period	(5,910)	62,606	(10,132)

	As at 31 December		As at 30 April
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalent	35,431	58,590	10,387
Investment in associates	52,661	69,425	59,932
Total asset	509,652	642,993	602,261
Non-current borrowings	172,000	104,000	104,000
Current borrowings	145,400	222,400	207,400
Total liabilities	457,681	534,496	503,896
Net asset value	51,971	108,497	98,365

The Target Group generated revenue of approximately RMB14.3 million, RMB9.0 million and RMB1.0 million for the two years ended 31 December 2011 and 2012 and for the four months ended 30 April 2013 respectively. The above amounts of revenue are equivalent to approximately HK$17.9 million, HK$11.3 million and HK$1.3 million respectively. The Target Group's revenue was mainly derived from sales of properties and land use rights and rental income of CEC Beihai. During the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013, save for one developed property sold in 2010, all properties developed were held for rental yields and there were no sales of properties. While most of the land use rights were developed by CEC Beihai itself, it also sold certain pieces of land use rights to third parties during the track record period, the continuing decrease in revenue from sales of land use rights was because more properties were developed by CEC Beihai itself. Rental income remained relatively stable during the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013.

The Target Group incurred cost of sales of approximately RMB8.1 million, RMB5.1 million and RMB0.1 million for the two years ended 31 December 2011 and 2012 and for the four months ended 30 April 2013 respectively. The above amounts of cost of sales are equivalent to approximately HK$10.1 million, HK$6.4 million and HK$0.1 million respectively. Cost of sales mainly comprised (i) cost of land use rights; (ii) construction costs of properties; and (iii) business tax and related surcharges. The fluctuation in cost of sales was mainly driven by the costs of properties sold and land use rights sold.

As a result of the revenue generation and cost of sales incurred, the Target Group recorded a loss of approximately RMB5.9 million (equivalent to approximately HK$7.4 million), a profit of approximately RMB62.6 million (equivalent to approximately HK$78.3 million) and a loss of approximately RMB10.1 million (equivalent to approximately HK$12.6 million) for the two year ended 31 December 2011 and 2012 and the four months ended 30 April 2013 respectively.

Total asset of the Target Group amounted to approximately RMB509.7 million (equivalent to approximately HK$637.1 million), RMB643.0 million (equivalent to approximately HK$803.8 million) and RMB602.3 million (equivalent to approximately HK$752.9 million) as at 31 December 2011 and 2012 and as at 30 April 2013. The increase in assets reflects the Target Group's investment in the Industrial Parks.

Total liabilities of the Target Group amounted to approximately RMB457.7 million (equivalent to approximately HK$572.1million), RMB534.5 million (equivalent to approximately HK$668.1 million) and RMB503.9 million (equivalent to approximately HK$629.9 million) as at 31 December 2011 and 2012 and as at 30 April 2013. Liabilities of the Target Group mainly comprised short term and long term bank borrowings as well as borrowings from CEC Finance. The increase in the amount of liabilities reflects the development needs of the Target Group as it mainly utilised loans to finance its development.

According to the management of the Company, the business of the Target Group is generally in a development phase and requires capital for its continuous development. As such, the Company expects that the capital needs of the Target Group in the near future will be satisfied mainly by the internal financial resources of the Group as well as borrowings by the Group, including borrowings from CEC Finance. Information on the continuing connected transactions under the CEC Technology Financial Services Agreement is disclosed under the paragraph headed "Major Transaction and Continuing Connected Transactions – CEC Technology Financial Services Agreement" in the "Letter from the Board" of the Circular. The Company intends and expects that the Target Group would be able to utilise other sources of funding and reduce reliance on CEC Finance for its financial needs as and when the Industrial Parks reach a more advanced stage of development.

1.4 Information on CEC Xi'an

CEC Xi'an is engaged in the development and management of the CEC Xi'an Industrial Park.

During the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013, CEC Xi'an was not a subsidiary of the Target Group and its results, assets and liabilities were not consolidated into the CEC Technology's consolidated accounts. Upon Completion, CEC Technology will become interested in 66.23% equity interest in CEC Xi'an, and CEC Xi'an will become a subsidiary of CEC Technology.

Set out below is a summary of financial highlights of CEC Xi'an for the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013 as extracted from "Accountant's report of CEC Xi'an" set out in Appendix IIIB to the Circular.

	Year ended 31 December		**Four months ended 30 April**
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Selling and marketing costs	(932)	(1,422)	(397)
Administrative expenses	(7,470)	(7,013)	(2,794)
Loss before taxation	8,024	7,296	3,012
Loss for the year/period	6,581	5,715	2,299

	As at 31 December		**As at 30 April**
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	93,285	22,669	16,659
Properties under development	3,363	31,147	33,679
Other receivables and prepayments	5,344	38,427	34,775
Total assets	105,496	98,442	96,120
Borrowings	4,254	4,487	4,570
Total liabilities	8,250	6,911	6,888
Net asset value	97,246	91,531	89,232

As of the Latest Practicable Date, CEC Xi'an Industrial Park is still in the development stage and hence has not generated any sales revenue for the two years ended 31 December 2011 and 2012 and for the four months ended 30 April 2013. As a result, CEC Xi'an recorded losses for the respective periods as it incurred selling and marketing costs and administrative expenses.

The assets of CEC Xi'an comprise mainly (i) cash and cash equivalents; (ii) properties under development; and (iii) other receivables and prepayments. Properties under development mainly comprise construction costs and costs of land use rights, less government grant received by CEC Xi'an. Other receivables and prepayments mainly comprise prepayment for land use rights and amounts due from CEC Beihai and Guangxi Future Land (a jointly controlled entity of CEC Beihai).

1.5 Information on Hainan RSC

Hainan RSC is engaged in the development and management of the Hainan Resort Software Community.

During the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013, Hainan RSC was regarded as an associate of the Target Group and its results, assets and liabilities had been accounted for using the equity method. Upon Completion, Hainan RSC will remain to be regarded as an associate of the CEC Technology.

Set out below is a summary of financial highlights of Target Group's share of results of Hainan RSC for the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013 as extracted from note 11 to the "Accountant's report of the Target Group" set out in Appendix IIIA to the Circular.

	Year ended 31 December		**Four months ended 30 April**
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Assets	175,785	183,066	198,597
Liabilities	116,555	105,515	129,912
Revenue	82,950	73,081	121
Profit/(loss)	28,947	34,321	(8,866)

During the respective periods, Hainan RSC derived its revenue mainly from the sales of certain properties, including apartments and office units. For the four months ended 30 April 2013, Target Group's share of loss from Hainan RSC was approximately RMB8.9 million. According to the management of the Company, the loss was mainly due to the decrease in revenue as properties presold during the four months ended 30 April 2013 were unable to be recognised as revenue because the construction of the relevant properties have not yet been completed.

2. *Electronic information technology industrial parks*

As the principal business and the main underlying assets of the Target Group and its associates are the development and management of industrial parks which provides a platform for industry players to develop electronic information technology businesses, set out below is (i) a brief summary of the policy support offered for the development of electronic information technology industrial parks in the PRC which the Directors consider to be favourable to the Target Group; (ii) a summary of risk factors relating to the business of the Target Group; and (iii) a summary of the Industrial Parks.

2.1 Market policy

As described in the "Letter from the Board" of the Circular, to promote the development of electronic information technology industrial parks as well as to enhance the innovation and competitiveness of the relevant industrial sectors, the PRC government promulgated "Policies regarding the support for the development of the State's information technology bases and industrial parks", which lay down directions and policy support for the development of electronic information technology industrial parks in the PRC. Whilst the details of the policies enacted in every region is different, in general, the policies offer, among other measures, (i) certain tax relief measure for qualified spending and earnings; and (ii) government subsidies for certain qualified operations.

Please refer to the respective local government websites for details of their policies relating to support for the development of electronic information technology industrial parks as shown below.

Beihai region: http://www.bhgyy.com/v_4/gov_1.htm

Hainan region: http://www.hainan.gov.cn/data/zfwj/2009/07/2364/

Xi'an region: http://www.shaanxi.gov.cn/0/103/8743.htm

We have reviewed the abovementioned regional policies and are of the view that such policies are likely to attract information technology enterprises to participate in the Industrial Parks, which will in turn provide support and growth opportunities for the operation of the Target Group going forward.

2.2 Risk relating to the business of the Target Group

Your attention is drawn to the risks relating to the business of the Target Group set out in the "Letter from the Board" of the Circular.

2.3 Information on the Industrial Parks

The following sets out brief information on the Industrial Parks.

2.3.1 CEC Beihai Industrial Park

The CEC Beihai Industrial Park is situated in Beihai, Guangxi, with a planned total area of 3,000 mu (equivalent to approximately 2 million square meters). Development of the CEC Beihai Industrial Park commenced in 2008 and is designated for industrial, research and training, commercial and community facilities uses for the development of electronic information technology services. While part of the developed properties were sold to resident enterprises, the remaining properties will be held for rental yields and will generate rental income after the rent free periods agreed in the initial tenancy agreements. According to the management of the Company, as at the Latest Practicable Date, CEC Beihai Industrial Park has a total of 90 resident enterprises (including 50 enterprises under its incubation programme).

As described in the "Property valuation report" set out in Appendix V to the Circular, total market value of properties held by CEC Beihai in their existing state as at 31 May 2013 which is attributable to the Target Group is approximately RMB297 million (equivalent to approximately HK$371.3 million). In addition, CEC Beihai holds a 70% equity interest in a jointly controlled entity, Guangxi Future Land. Also described in the "Property valuation report" set out in Appendix V to the Circular, total market value of properties held by Guangxi Future Land in its existing state as at 31 May 2013 which is attributable to the Target Group is approximately RMB251.0 million (equivalent to approximately HK$313.8 million). According to the management of the Company, these properties are held for either (i) owner-occupied/ investment; or (ii) development purposes.

2.3.2 Hainan Resort Software Community

The Hainan Resort Software Community is situated in Haikou, Hainan, with a planned total area of 3,000 mu (equivalent to approximately 2 million square meters). Development of Hainan Resort Software Community commenced in May 2009. As at the Latest Practicable Date, Hainan Resort Software Community has a total of 275 resident enterprises. As described in the "Letter from the Board" of the Circular, Hainan Resort Software Community will focus on the development of certain expansions of the industrial park, including a designated zone for the major resident enterprises, a shopping center and a youth business community. In the mid- to long-run, Hainan Resort Software Community strives to become an domestically renowned industrial park for the software enterprise.

As described in the "Property valuation report" set out in Appendix V to the Circular, total market value of properties held by Hainan RSC in their existing state as at 31 May 2013 which is attributable to the Target Group is approximately RMB567 million (equivalent to approximately HK$708.8 million). According to the management of the Company, these properties are held for either (i) sales; (ii) owner-occupied/investment; or (iii) development purposes.

2.3.3 CEC Xi'an Industrial Park

The CEC Xi'an Industrial Park is situated in Xi'an, Shaanxi and has a planned total area of 470 mu (equivalent to approximately 313,000 square meters). The CEC Xi'an Industrial Park targets enterprises engaging in cloud computing services and service outsourcing. Construction of CEC Xi'an Industrial Park commenced in October 2011 and the first batch of resident enterprises are expected to move in during the second half of 2014. As at the Latest Practicable Date, CEC Xi'an Industrial Park is still at the development stage. Upon completion of its development, CEC Xi'an Industrial Park will contain modular data centers, an underground plaza, commercial properties and hotels.

As described in the "Property valuation report" set out in Appendix V to the Circular, total market value of properties held by CEC Xi'an in their existing state as at 31 May 2013 which is attributable to the Target Group is approximately RMB15 million (equivalent to approximately HK$18.8 million). According to the management of the Company, the properties are held for development purposes.

Taking into account (i) the policy support for the development of electronic information technology industrial parks in the PRC as described in section 2.1 above; (ii) the risks relating to the business of the Target Group; (iii) the development potential and current development and occupancy status of the Industrial Parks as described in section 2.3 above; and (iv) the financial resources of the Group for the development of projects as described in section 4.2 below, we note that the Acquisition offers an opportunity to the Group to invest in the Industrial Parks which are in various stages of development and carry varying growth potential.

3. The Group's selection process of the Target Group

As described in the "Letter from the Board" of the Circular, the Company takes a positive view on the development of the electronic information technology industrial parks in the PRC and, with the support that will be given under the relevant policies, it is anticipated that the electronic information technology industrial parks will see considerable growth.

CEC is a nationwide electronics and information technology conglomerate and has interest in several industrial parks in the PRC. According to the management of the Company, and as confirmed by the Directors, the Group has chosen to acquire the Target Group as the Industrial Parks are currently in their growth phase and accordingly, their acquisition is expected to generate meaningful growth for the Group. As described in the "Letter from the Board" of the Circular, the Directors anticipate that subsequent to the Acquisition, the Company will step up its effort in developing the Target Group, and that such efforts will eventually realise income earning potential of the Target Group, which will in turn enhance the Group's profitability and growth.

Furthermore, Mr. Xie Qinghua, Managing Director of the Company, has been one of the directors and the general manager of CEC Technology since 2007, and the chairman of the board of directors of CEC Technology since 2012. The Directors are of the view that based on Mr. Xie's extensive experience in the electronic information technology industrial park industry and his management track record in the Target Group, the sustainability of the Target Group will be maintained in the future.

The senior management of the Target Group comprises Mr. Xie Qinghua, the chairman of the board of directors of CEC Technology, and two deputy general managers, an assistant to the general manager, as well as senior management of the Industrial Parks. The senior managers of the Target Group have a length of service of 3 to 9 years at the Target Group and will continue to serve the Target Group after the Acquisition. The Company considers that it will have all the required expertise and personnel in operating the Target Group.

4. The Equity Transfer Agreement

To assess the fair and reasonableness of the Acquisition, we have also considered the following key terms of the Equity Transfer Agreement:

4.1 The consideration

The consideration for the Acquisition shall be RMB600 million (equivalent to approximately HK$750 million), which has been agreed after arm's length negotiation between the Company and CEC.

As described in the "Letter from the Board" of the Circular, the consideration was derived by taking the audited consolidated net asset value of the Target Group as at 30 April 2013, plus the difference between the market value and the carrying value of the property interests held by the Target Group attributable to CEC Technology as at 30 April 2013. We noted that the above in effect serves to calculate the net asset value of the Target Group, taking into account of the latest value of the properties in their existing state held by the Target Group attributable to CEC Technology. Net asset value is a commonly adopted approach for valuation of property businesses and companies, and because the Target Group as described in section 1.3 above are mainly asset based companies, we are of the view that this approach is fair and reasonable.

In respect of property appraisals, we have discussed with DTZ and noted that for property interests which are (i) held by the Target Group for sale in the PRC, the valuation has been prepared by a direct comparison approach by making reference to comparable sales evidence as available in the relevant market; (ii) held by the Target Group for sale/investment in the PRC the valuation has been prepared by a direct comparison approach as mentioned above, or where appropriate, by a income approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary rental income potential of the properties; and (iii) held by the Target Group for development in the PRC, the valuation has been prepared by a direct comparison as mentioned above, or where appropriate, also taking into account of expended construction costs. We consider the methodologies and the underlying assumptions to be a commonly adopted approach and are justifiable. Further, we have also interviewed DTZ as to its expertise in property valuation and have also reviewed their engagement letter with the Company and are of the view that their scope of work is appropriate for the property valuation provided in relation to the Acquisition.

As described in the "Letter from the Board" of the Circular, the consideration of RMB600 million (equivalent to approximately HK$750 million) represents a discount of approximately 14% to the agreed value of the Relevant Equity Interest if the transfer of shareholding interest in CEC Xi'an held by 6th Research Institute and ChinaSoft to CEC Technology is taken into account. Under the arrangement, CEC Technology will pay a consideration of RMB18 million (equivalent to approximately HK$22.5 million) and RMB36 million (equivalent to approximately HK$45.0 million) for the acquisition of the respective 12.99% and 25.97% equity interest in CEC Xi'an held by ChinaSoft and 6th Research Institute. However, as principles of merger accounting (as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants) has been applied in accounting for the proposed acquisition of the additional equity interest in CEC Xi'an from ChinaSoft and 6th Research Institute by CEC Technology, the aggregate consideration of RMB54 million (equivalent to approximately HK$67.5 million) is higher than the aggregate net asset value of CEC Xi'an attributable to ChinaSoft and 6th Research Institute to be acquired, this would reduce the Target Group's net asset value, which in turn, will cause the consideration's discount to the agreed value of the Relevant Equity Interest to decrease from approximately 16% to approximately 14%.

Please refer to section 4.3 below for the reasons and benefits of the acquisition of the shareholding interest in CEC Xi'an held by ChinaSoft and 6th Research Institute by CEC Technology.

We note that there may be future taxes attributable to CEC Technology (including business tax, land appreciation tax and income tax) that will potentially be payable upon the sale of properties of the Target Group. We understand that the amount of future tax effect would be based on potential profit from Target Group's sales of properties held for sale after they have been fully developed with reference to (i) future sales prices; (ii) future development plan of the properties, where appropriate, agreed with any joint venture partners; and (iii) certain construction costs incurred for the development of the properties. As the majority of the properties held by the Target Group will be held for either rental or development purposes upon completion of development, and land appreciation tax is only levied on sales of land or property on the land, profitability of the Target Group would not be expected to be heavily impacted by such potential tax impact. The actual amount of tax payable may differ from the estimates for reasons of, inter alia, changes in government tax policies (including tax rates), development plan of the properties, the actual selling prices of the properties and the actual construction costs of the properties.

Based on the above, the Directors are of the view that it is essential to negotiate a discount on the consideration to the agreed value of the Relevant Equity Interest.

Based on (i) the understanding of the basis for the potential tax effect above, (ii) our view that net asset value approach is a fair and reasonable approach for valuing the Target Group; and (iii) having considered the risks relating to the business of the Target Group as described in the "Letter from the Board" of the Circular, and weighing such risks against the discount of the consideration to the Relevant Equity Interest, we concur with the Directors' view that the consideration is fair and reasonable.

4.2 Payment terms

As described in the "Letter of the Board" of the Circular, the consideration of RMB600 million (equivalent to approximately HK$750 million) is payable in two installments:

(a) 60% of the consideration (i.e. RMB360 million, equivalent to approximately HK$450 million), payable within 5 business days of the date on which the Equity Transfer Agreement takes effect; and

(b) 40% of the consideration (i.e. RMB240 million, equivalent to approximately HK$300 million), payable within 6 months of the date on which the Equity Transfer Agreement takes effect, together with the interest calculated in accordance with the prevailing benchmark lending rate of RMB.

Based on (i) the Company's cash and cash equivalent balance of approximately HK$476.6 million as at 31 December 2012; and (ii) the Group's aggregate undrawn committed borrowing facility of approximately HK$421 million as at the Latest Practicable Date, we are of the view that the Group has the financial resources to settle the consideration.

In regards to the payment of the second installment of the consideration, which may be settled within 6 months of the Completion, the Directors are of the view that the Company may use the afforded extra time to organise alternative financing at potentially more favourable terms as compared to its current financing or the prevailing benchmark lending rate of RMB. In effect, this allows the Company flexibility with respect to payment timing and is favourable to the Company.

In regards to the interest payable under the second installment of the consideration, the Company's PRC legal advisers confirm that the provision on the calculation of interest was made in accordance with applicable PRC regulations. In particular, where the consideration of a transfer of state-owned property rights is paid by installments, an interest shall be paid to the transferor on the outstanding amounts at the bank lending rate of the same period. We are of the view that the terms of the interest rate are fair and reasonable as it is in accordance with applicable PRC regulations.

In light of the Company's financial resources and the opportunity for the Company to organise alternative finance at potentially more favourable terms as compared to its current financing or the prevailing benchmark lending rate of RMB applied to the second installment of the consideration, we are of the view that the payment terms are fair and reasonable to the Company.

4.3 Conditions precedent

Details of the conditions precedent to the Equity Transfer Agreement are set out in the "Letter to the Board" of the Circular. According to the announcement published by ChinaSoft on 15 August 2013, CEC Technology's acquisition of 12.99% equity interest in CEC Xi'an from it has been completed.

As at the Latest Practicable Date, CEC is interested as to 100% equity interest in CEC Technology and 100% equity interest in 6th Research Institute. In turn, CEC Technology and 6th Research Institute are respectively interested in 40.26% and 25.97% equity interest of CEC Xi'an.

Pursuant to the Equity Transfer Agreement, CEC shall also procure the transfer of the 25.97% equity interest in CEC Xi'an held by 6th Research Institute to CEC Technology before the Equity Transfer Agreement takes effect. Accordingly, CEC Technology will become interested in 66.23% equity interest in CEC Xi'an upon Completion and CEC Xi'an will become a subsidiary of CEC Technology. CEC Technology, and in turn the Company, will be able to consolidate the financial results, assets and liabilities of CEC Xi'an and also gain a controlling shareholding interest in CEC Xi'an.

We note that the abovementioned reorganisation will remove 6th Research Institute from the shareholding structure of CEC Xi'an, thus allowing the Company to acquire CEC Group's consolidated interests in the Industrial Parks collectively through CEC Technology.

5. *Possible financial effects of the Acquisition*

Upon the Completion, the Company will directly hold 100% equity interest in CEC Technology which will become a subsidiary of the Company. The assets, liabilities and the financial results of CEC Technology and its subsidiaries will be consolidated into the consolidated financial statements of the Company. As both the Company and CEC Technology are under common control of CEC, the Group has applied the principles of merger accounting[1] for the acquisition of the Target Group. Under merger accounting, assets and liabilities of the Target Group are combined using its existing book values, and in particular, it has not taken into account of the market value of the properties held for sales, owner-occupied and development by the Target Group.

5.1 Assets and liabilities

Set out below is a summary of the financial effect of the Acquisition on the assets and liabilities of the Group as shown in the "Unaudited Pro Forma Financial Information of the Enlarged Group" set out in Appendix IV of the Circular.

	Consolidated statement of assets and liabilities of the Company as at 31 December 2012 *HK$'000*	**Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2012** *HK$'000*
Total assets	1,348,706	1,730,164
Total liabilities	542,904	1,548,886

As shown above, the total assets of the Group would increase less than the total liabilities as the market value of the property interest held by the Target Group for sales, owner-occupied and development as at 31 May 2013 could not be reflected, and the Group will have to settle the respective consideration of RMB600 million (equivalent to approximately HK$750 million) and RMB54 million (equivalent to approximately HK$67.5 million) for the Acquisition and the acquisition of the additional 38.96% equity interest in CEC Xi'an.

[1] *Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. In applying merger accounting, no amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.*

5.2 Gearing ratio

As at 31 December 2012, the gearing ratio of the Group was approximately 40.3% (as calculated as the total liabilities over total assets of the Group). As shown in the "Unaudited Pro Forma Financial Information of the Enlarged Group" as set out in Appendix IV of the Circular, assuming 31 December 2012 as the date of the Completion, the pro forma total liabilities and total assets of the Enlarged Group will be approximately HK$1,548.9 million and HK$1,730.2 million respectively. Accordingly, the gearing ratio of the Enlarged Group will increase to approximately 89.5%.

The increase in the gearing ratio is consistent with the usual nature financing strategy and capital structure of property development companies. Initial development costs are typically financed by short term and long term bank borrowings. In the case of the Target Group, total borrowings accounted for approximately 61.8% of total liabilities as at 30 April 2013, as set out in "Accountant's report of the Target Group" set out in Appendix IIIA of the Circular. After the development of properties are completed, sales or rental income would be generated, which the Target Group may use to pay down its borrowings. Furthermore, as explained in section 5.1 above, under the use of merger accounting, the total assets of the Enlarged Group would increase less than the total liabilities as the market value of the property interest held by the Target Group for sales, owner-occupied and development could not be reflected, thus contributing to the increase in the gearing ratio.

5.3 Cash flow

As shown in the "Unaudited Pro Forma Financial Information of the Enlarged Group" as set out in Appendix IV of the Circular, cash and cash equivalents of the Group would be reduced from approximately HK$476.6 million as at 31 December 2012 to approximately HK$60.8 million after payment of the first installment of the consideration for the Acquisition.

Notwithstanding the significant decrease in cash after the payment of the first instalment of the consideration, as confirmed by the management of the Company, the Group maintained a substantial amount of undrawn committed borrowing facility as at the Latest Practicable Date. Further, the Target Group also has access to (i) RMB400 million (equivalent to approximately HK$500 million) of borrowing facility under the CEC Technology Financial Services Agreement pursuant to Independent Shareholders' approval at the SGM of the Company; and (ii) RMB400 million (equivalent to approximately HK$500 million) of unsecured loan facility from CEC Finance to CEC Technology.

Reference is made to the "Letter from the Board" of the Circular where the Directors are of the opinion that, after taking into account the internal resources and borrowing facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for the next twelve months from the date of this Circular.

Based on the above, it is anticipated that the Company would have sufficient financial resources to fund its development for the Target Group upon Completion. Furthermore, it is anticipated that cash flow of the Target Group would improve when its properties are completed and sales and rental income are generated.

5.4 Earnings

The results of the Target Group will be consolidated in the consolidated financial statements of the Company upon the Completion.

Based on the possible financial effects of the Acquisition as described above, the reasons for the fluctuation of the results of the Target Group as explained in section 1 above, and the Company's future costs for the development of the Industrial Parks as described in section 2 above, and with reference to the loss making status of the Target Group for the four months ended 30 April 2013 as described in section 1 above, the Acquisition may cause the Group's financial performance to fluctuate in the short run. However, as already mentioned above, upon completion of the development stage of the properties, sales and rental income would be generated and profitability would be expected to improve. In particular, during the two years ended 31 December 2011 and 2012 and the four months ended 30 April 2013, the Target Group did not recognise revenue from sales of land use rights and properties until ownership certificates (in the case of land use rights) and properties have been delivered to the purchaser. Deposits and instalments received on such sales prior to revenue recognition are included in the Target Group's balance sheet as advanced proceeds from customer under current liability. As at 31 December 2011 and 2012 and as at 30 April 2013, the balance of advanced proceeds from customers amounted to approximately RMB19.9 million, RMB15.2 million and RMB18.8 million respectively. The above amounts of advanced proceeds from customers are equivalent to approximately HK$24.9 million, HK$19.0 million and HK$23.5 million respectively.

Whilst there is immediate financial impact to the Group as illustrated above, Shareholders should however also take into account of (i) the ultimate realisation of the valuation gain from the properties held by the Target Group for sales, owner-occupied and development; and (ii) the long run growth and earnings potential of the Target Group.

6. Business delineation

6.1 Management independence

Other than Mr. Xie Qinghua, Managing Director of the Company, and one of the directors and the chairman of the board of directors of CEC Technology, the management of the Target Group will be independent from CEC upon Completion. We note that pursuant to the Equity Transfer Agreement, CEC has undertaken that, up till Completion, it would not unreasonable increase or decrease the number of employees of the Target Group.

6.2 Operational independence

Other than the Property Management Agreement as disclosed in the Company's announcement dated 7 July 2013, the Target Group will operate independently from CEC upon Completion.

The senior management of the Target Group comprises Mr. Xie Qinghua, the chairman of the board of directors of CEC Technology, and two deputy general managers, an assistant to the general manager, as well as senior management of the Industrial Parks. The senior managers of the Target Group have a length of service of 3 to 9 years at the Target Group and will continue to serve the Target Group after the Acquisition. The Company considers that it will have all the required expertise and personnel in running the Target Group.

6.3 Financial independence

Other than (i) the Guarantee Arrangements as disclosed in the Company's announcement dated 7 July 2013; (ii) the CEC Technology Financial Services Agreement; and (iii) the RMB400 million of unsecured loan facilities from CEC Finance to CEC Technology, the Target Group will be financially independent from CEC upon Completion. According to the management of the Company, the Directors intend to progressively diversify its source of financing with independent third parties.

7. Reasons for and benefits of the Acquisition

Based on (i) the supportive PRC government policies in relation to development of electronic information technology industrial parks; (ii) the anticipated growth of electronic information technology industrial parks pursuant to such policies; (iii) the financial resources of the Company in relation to the Acquisition; (iv) the future income generation from the Industrial Parks after the completion of the development stage; (v) the operational independence and management expertise on electronic information technology industrial parks; and (vi) given that the Acquisition is in line with the Group's strategy to seek opportunities in expanding into new business coverage and extend its industry value chain, we concur with the Directors' view that by leveraging on its strong information technology expertise and client network, the Company will eventually realise the income earning potential of the Target Group, which will in turn enhance the quality of the assets held by the Group and thereby also enhancing the Group's profitability and growth.

8. Plans for the existing business of the Group and going forward

As at the Latest Practicable Date, the Company has no immediate plans to dispose of its business or assets, and has not entered into any written agreements and/or memorandum of understanding with respect to the same. The Company will continuously monitor its business portfolio as well as the performance of its existing business and the Industrial Parks. If necessary, the Company will enter into transactions with a view to ensuring progressive return to its shareholders.

The Company made an announcement on 25 June 2013 on the Strategic Cooperation Framework Agreement in relation to the construction of Beibu Gulf Eco-Wisdom Electronics City. The said project is still under evaluation by the government authority and there has been no substantial update since the date of the announcement. Subject to decision by the Company, the Company may decide to use CEC Beihai as the vehicle in the Group's development of this project.

9. Conclusion

In summary, we concur with the Directors that the introduction of the supportive policies for the development of electronic information technology industrial parks in the PRC will be advantageous to the Target Group, and the Acquisition will allow the Group to be in a position to capture opportunities in the electronic information technology sector. The Acquisition is a strategic business action, which is not in the ordinary and usual course of business of the Company. Having considered the above principal factors and reasons, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms of the Equity Transfer Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(II) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS – CEC TECHNOLOGY FINANCIAL SERVICES AGREEMENT

CEC Finance currently provides various financial services to the Target Group, which is expected to continue after the Acquisition. As CEC Technology will become a wholly-owned subsidiary of the Company after the Completion, these financial services between CEC Finance and the Target Group will, upon the Completion, constitute continuing connected transactions of the Company.

Pursuant to the CEC Technology Financial Services Agreement, CEC Finance will provide a range of financial services to the Target Group (as further described in the "Letter from the Board" of the Circular) and the Target Group will utilise such financial services on a non-exclusive basis.

Principal factors and reasons considered

To assess the fairness and reasonableness of the terms of the CEC Technology Financial Service Agreement, we have considered the following.

1. *Key terms of the CEC Technology Financial Services Agreement*

Set out below are a summary of the key terms which we have considered. Details of the terms of the CEC Technology Financial Services Agreement are set out in the "Letter from the Board" of the Circular.

(i) All transactions contemplated under the CEC Technology Financial Services Agreement shall be undertaken on normal commercial terms or on terms no less favourable to the Target Group than terms available from other domestic commercial banks or financial institutions. In particular, the Target Group is neither obliged nor committed to carry out any transactions contemplated under the CEC Technology Financial Service Agreement if the terms, interest rates on deposits and financial assistance, the fees and commissions for the fee- and commission-based financial services are less favourable in comparison to those offered by other domestic commercial banks or financial institution.

(ii) Interest rates on deposits and financial assistance offered by CEC Finance to the Target Group will be determined with reference to, and shall be no less favourable than, the rates offered to the Target Group by other domestic commercial banks for comparable deposits or financial assistance.

(iii) The fees and commissions for the fee- and commission-based financial services provided by CEC Finance to the Target Group will be determined with reference to and shall not be higher than those charged by other domestic commercial banks or financial institutions for the same type of financial services. In particular, where available, the Target Group will refer to standard or reference rates promulgated by the PBOC prior to agreeing with CEC Finance on the pricing of the relevant financial services.

(iv) As described in the "Letter from the Board" of the Circular, with the exception of RMB and foreign currencies loans, the Target Group may be required to provide security for certain types of financial assistance to be provided by CEC Finance, which is considered to be a more favourable arrangement than domestic commercial banks and financial institutions.

For the deposit services, we have compared the interest rates on deposits of various terms offered by CEC Finance with the standard or reference rates promulgated by the PBOC and found the rates to be comparable. Regarding the provision of financial assistance, we have reviewed samples of financial assistance provided by CEC Finance with the standard or reference rates promulgated by the PBOC and found them to be comparable. As for the fees- and commission-based financial services, we have reviewed samples of previous transactions and found the fees and commissions charged to be comparable to the standard or reference rates promulgated by the PBOC. In order to select a representative sample throughout the three years ended 31 December 2012 and four months ended 30 April 2013, samples were randomly selected from transactions undertaken during each half-year intervals of the three years ended 31 December 2012 and from the four month ended 30 April 2013.

Taking into account the aforesaid factors, we consider the transactions contemplated under the CEC Technology Financial Services Agreement to be on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2. Reasons for and benefits of the CEC Technology Financial Service Agreement

We understand that CEC Finance has been providing various financial services to the Target Group prior to the Acquisition. As such, it is commercially reasonable and beneficial to continue with such arrangement since it will maintain stability in the financial operation of the Target Group.

Moreover, as a regulated financial institution, CEC Finance is required to comply with all rules and operational requirements of the regulatory authorities, namely the PBOC and the CBRC. In addition, CEC Finance has been providing a range of financial services to the Target Group. As such, the continued utilisation of the financial services provided by CEC Finance would not expose the Target Group to additional financial risk as compared to the Target Group utilising financial services provided by similar financial institutions that are governed by the same rule and operational requirements of the PBOC and the CBRC.

The Target Group is also expected to continue to benefit from CEC Finance's better understanding of the operations of the Target Group which allows expedient and efficient service provision. The Target Group also expects that as an intra-group service provider, CEC Finance should have a better and more efficient communication with the Target Group compared with other domestic commercial banks or financial institutions. Further, the CEC Technology Financial Services Agreement will continue to provide the Target Group with the right and flexibility to secure additional source of financing and services at reasonable cost as and when required.

In view of the above and that (i) the transactions contemplated under the CEC Technology Financial Services Agreement will continue to be conducted on normal commercial terms or on terms no less favourable to the Target Group than terms available from other domestic commercial banks or financial institutions; and (ii) the transactions contemplated under the CEC Technology Financial Services Agreement are undertaken in the ordinary and usual course of the Target Group's business given the principal businesses of CEC Finance, we concur with the Directors that the entering of the CEC Technology Financial Services Agreement is in the interests of the Company and the Shareholders as a whole.

3. *Proposed caps*

In assessing whether the proposed annual caps are fair and reasonable, we have considered the following:

(i) Historical transaction amounts of financial services between CEC Finance and the Target Group

Below is a table setting out the historical amount recorded for each category of continuing connected transactions contemplated under the CEC Technology Financial Service Agreement for each of the three years ended 31 December 2012 and the four months ended 30 April 2013.

Type of transaction	**Historical transaction amounts**			
	For the year ended 31 December			**For the four months ended 30 April**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision of deposit services by CEC Finance to the Target Group *(Note 1)*	109,110	128,954	143,940	29,694
Provision of financial assistance by CEC Finance to the Target Group *(Note 2)*	30,000	40,000	160,000	160,000
Provision of fee- and commission-based financial services by CEC Finance to the Target Group	–	26	70	60

Notes:

1. The amount represents the maximum daily balance of deposits (together with the interests accrued therein) maintained by the Target Group with CEC Finance during the relevant year/period.

2. The amount represents the maximum daily balance of financial assistance provided by CEC Finance to the Target Group during the relevant year/period.

(ii) Proposed caps

The Target Group proposes to adopt the following annual caps for transactions to be entered into pursuant to the CEC Technology Financial Services Agreement for each of the three years ending 31 December 2015 and six months ending 30 June 2016:

Type of transaction	Proposed transaction amounts			
	For the year ending 31 December			For the six months ending 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision of deposit services by CEC Finance to the Target Group *(Note 1)*	400,000	400,000	200,000	230,000
Provision of financial assistance by CEC Finance to the Target Group *(Note 2)*	400,000	400,000	200,000	230,000
Provision of fee- and commission-based financial services by CEC Finance to the Target Group	750	750	750	750

Notes:

1. The amount represents the maximum daily balance of deposits (together with the interests accrued therein) maintained by the Target Group with CEC Finance during the relevant year/period.

2. The amount represents the maximum daily balance of financial assistance provided by CEC Finance to the Target Group during the relevant year/period.

As disclosed in the "Letter from the Board" in this Circular, the maximum daily balance of deposit was arrived at taking into consideration of the annual caps relating to the provision of financial assistance by CEC Finance to the Target Group. In particular, as part of its treasury policy, CEC is prepared to provide annual financial assistance of the above amounts to the Target Group through CEC Finance. The proposed annual caps are determined with reference to the possible capital and operational needs of the Target Group, which the Company and CEC Technology understand to be the limit proposed by CEC Finance based on their internal assessment on the maximum amount of unsecured and secured financial assistance which they may provide to the Target Group. In return for the financial assistance provided by CEC Finance, the Group has offered to maintain an amount of deposit with CEC Finance. Such amount is proposed to be up to a maximum daily balance of deposit at the equivalent amount of the limit for the financial assistance that could be provided. We have discussed with the management of the Company to understand the commercial rationale of this arrangement.

The proposed caps for the years ending 31 December 2013, 2014 and 2015 and the six months ending 30 June 2016 are set to reflect the possible working capital position and financial needs of the Target Group, which may vary at different development stages of the respective industrial parks. In particular, we have reviewed and noted that there already exists a borrowing of the amount HK$281.2 million (equivalent to approximately RMB225.0 million) from CEC Finance to the Target Group as at 30 June 2013. Moreover, there is also a funding requirement in respect of the consideration of RMB36 million relating to the proposed acquisition of the additional equity interest in CEC Xi'an from 6th Research Institute by CEC Technology. In this regard, we have reviewed (i) CEC Finance's confirmation of the amount of borrowing provided to the Target Group as at 30 June 2013; (ii) the Equity Transfer Agreement in respect of CEC Technology's obligation to acquire the additional equity interest in CEC Xi'an from ChinaSoft and 6th Research Institute; and (iii) the respective development plans of the CEC Beihai Industrial Park, Hainan Resort Software Community and CEC Xi'an Industrial Park.

In addition, we consider that it is commercially reasonable for the Target Group to maximise its financial flexibility by accepting the highest limit of financial assistance offered by CEC Finance. Since the Industry Parks will be at a more advanced stage of development by 2015, it is intended and expected that the Target Group will be able to utilise other sources of funding and reduce its reliance on CEC Finance for its financial needs. As such, the proposed cap for the year ending 31 December 2015 is set at RMB200 million, whilst those for the years ending 31 December 2013 and 2014 are set at RMB400 million, and the proposed cap for the six months ending 30 June 2016 is set at RMB230 million.

In view of the above and that the Target Group is neither obliged nor committed to carry out any transactions contemplated under the CEC Technology Financial Services Agreement if the terms, interest rates on deposits and financial assistance are less favourable in comparison to those offered by other domestic commercial banks or financial institutions, we consider the aforementioned proposed caps to be reasonable.

In arriving at the above caps for the fees and commissions payable for the provision of fee- and commission-based financial services by CEC Finance, the Company and CEC Technology have made reference to the possible demand of the fee- and commission-based financial services provided by CEC Finance to the Target Group and the fees and commissions payable for such services.

Based on the above, we are of the view that the proposed caps with regard to the transactions contemplated under the CEC Technology Financial Services Agreement for each of the three years ending 31 December 2015 and the six months ending 30 June 2016 are fair and reasonable.

4. Continuing connected transactions requirements under the listing rules

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors are required to review the Group's continuing connected transactions annually and confirm in the Company's annual report that they have been (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In compliance with the Listing Rules, the Company will engage auditors to report on the Group's continuing connected transactions for each of the three years ending 31 December 2015 and six months ending 30 June 2016.

Given the above, we consider that there exists appropriate procedures and arrangements to ensure that the continuing connected transactions contemplated under the CEC Technology Financial Services Agreement will be conducted on terms in compliance with the provisions of the Listing Rules.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that (i) the transactions contemplated under the CEC Technology Financial Services Agreement and the annual caps relating thereto are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the CEC Technology Financial Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the annual caps have been fairly and reasonably arrived at.

The Acquisition is a strategic business action, which is not in the ordinary and usual course of business of the Company. Having considered the above principal factors and reasons, we are of the view that (i) the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition, the CEC Technology Financial Services Agreement and the proposed annual caps at the SGM.

Yours faithfully
For and on behalf of
Altus Capital Limited

Arnold Ip	**Sean Pey Chang**
Executive Director	*Executive Director*

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following discussion and analysis should be read in conjunction with the financial information of the Target Group for the three years ended 31 December 2012 and the four months ended 30 April 2013 and of CEC Xi'an for the period from 12 November 2010 (date of establishment) to 31 December 2010 and the two years ended 31 December 2012 and the four months ended 30 April 2013, as set out in the Appendices IIIA and IIIB of this circular respectively.

Business and financial overview

The principal business activity of CEC Technology is investment holding. As at 30 April 2013, it holds 100% equity interest in CEC Beihai, 40% equity interest in Hainan RSC and 27.27% equity interest in CEC Xi'an, respectively. Upon the Completion, CEC Technology will hold 100% equity interest in CEC Beihai, 40% equity interest in Hainan RSC and 66.23% equity interest in CEC Xi'an, respectively. During the period under review, each of Hainan RSC and CEC Xi'an was accounted for as an associate of CEC Technology.

The principal business activities of CEC Beihai, Hainan RSC and CEC Xi'an have been the development and management of electronic information technology industrial parks in the PRC.

Revenue

The Target Group

The Target Group generated revenues of RMB34.2 million, RMB14.3 million, RMB9.0 million and RMB1.0 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively. The Target Group's revenue was mainly derived from sales of properties and land use rights, and rental income of CEC Beihai. Except for one developed property sold in 2010, all properties developed were held for rental yields during the period under review and there were no sales of developed properties in 2011 and 2012 and the four months ended 30 April 2013. While most of the land use rights were developed by CEC Beihai itself, it also sold the land use rights of certain plots of land to third parties during the period under review, the continuing decrease in revenue from sales of land use rights reflected CEC Beihai's focus on developing properties on its land instead of selling land before development. Rental income remained relatively stable during the period under review.

Sales of land use rights – Sales of land use rights mainly comprises the revenues from the sale of certain land use rights of land owned by the CEC Beihai. Land use rights in respect of 110 mu, 80 mu and 43 mu of land were sold in the years ended 31 December 2010, 2011 and 2012, respectively; which generated a revenue of RMB15.0 million, RMB10.9 million and RMB5.9 million for the years ended 31 December 2010, 2011 and 2012, respectively.

Rental income – CEC Technology and CEC Beihai hold certain office units which are leased out with terms ranging from 1 to 20 years. While rent-free periods are applicable to these tenancy agreements, rental income is recognised over the terms of the lease on a straight-line basis. Rental income for years ended 31 December 2010, 2011 and 2012 and for the four months ended 30 April 2013 were relatively stable at RMB2.7 million, RMB3.4 million, RMB3.1 million and RMB1.0 million, respectively.

Sales of properties – In 2010, CEC Beihai sold a property to a third party which generated a revenue of RMB16.5 million.

Cost of sales

The Target Group

The Target Group incurred cost of sales of RMB38.5 million, RMB8.1 million, RMB5.1 million and RMB0.1 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively. Cost of sales mainly comprises (i) cost of land use rights; (ii) construction costs of properties; and (iii) business tax and related surcharges. The fluctuation in cost of sales was mainly driven by the costs of properties sold and land use rights sold.

Gross (loss)/profit

As a result of the above, the Target Group recorded a gross loss of RMB4.3 million for the year ended 31 December 2010, and a gross profit of RMB6.2 million, RMB4.0 million and RMB0.8 million for the years ended 31 December 2011, 2012 and for the four months ended 30 April 2013. In 2010, CEC Beihai sold certain factory building to a third party at a gross loss of approximately RMB8.8 million, and the said sale was the main reason for the gross loss of RMB4.3 million of the Target Group recorded for the year ended 31 December 2010. The decrease in the gross profit for the year ended 31 December 2012 and the four months ended 30 April 2013 as compared to the year ended 31 December 2011 was largely due to a decrease in the revenue derived from the sale of land use rights from 2012 onwards.

Other gains/(losses), net

The Target Group incurred other gains of RMB10.9 million, other losses of RMB2.7 million, other gains of RMB99.1 million and RMB14.2 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively. Other gains/(losses), net comprises mainly (i) fair value gains or losses on investment properties, as well as (ii) a fair value gain in 2012 of RMB40.3 million on the transfer of land use rights to Guangxi Future Land, a jointly controlled entity of the Target Group.

Selling and marketing costs

The Target Group incurred selling and marketing costs of RMB4.9 million, RMB7.0 million, RMB5.1 million and RMB1.0 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively. Selling and marketing costs comprise mainly entertainment, marketing and travelling expenses. The higher selling and marketing costs in 2011 was mainly a result of the increase in the Target Group's marketing efforts to promote its industrial park business in 2011, apart from which, the Target Group's selling and marketing costs did not fluctuate significantly.

Administrative expenses

The Target Group incurred administrative expenses of RMB21.1 million, RMB21.8 million, RMB27.9 million and RMB7.1 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively. Administrative expenses comprise mainly employee benefit expenses, utilities and office supplies, depreciation charges and property management fees. Administrative expenses remained stable in 2010 and 2011 and the increase in 2012 was mainly due to the increase in employee benefit expenses, professional and consulting fees and property management fees as a result of the growth of the Target Group's industrial park business.

Share of (loss)/profit of associates

During the period under review, share of (loss)/profit of associates were a loss of RMB1.8 million, a profit of RMB27.2 million, a profit of RMB32.8 million and a loss of RMB9.5 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively. The Target Group's share of the results of Hainan RSC was a loss of RMB1.7 million, a profit of RMB28.9 million, a profit of RMB34.4 million and a loss of RMB8.9 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively. The Target Group's share of the results of CEC Xi'an was a loss of RMB74,000, RMB1.7 million, RMB1.6 million and RMB0.6 million for the period from 12 November 2010 to 31 December 2010 and the years ended 31 December 2011 and 2012 and for the four months ended 30 April 2013 respectively.

Hainan RSC

During the period under review, Hainan RSC derived its revenues mainly from the sales of properties, including apartments and office units. Hainan RSC recorded a revenue of RMB1.0 million, RMB207.4 million, RMB182.7 million and RMB0.3 million for the years ended 31 December 2010, 2011 and 2012 and for the four months ended 30 April 2013, respectively.

CEC Xi'an

As of the Latest Practicable Date, CEC Xi'an Industrial Park is still at development stage. As such, it has not generated any revenues for the period from 12 November 2010 to 31 December 2010 and the years ended 31 December 2011 and 2012 and for the four months ended 30 April 2013 from its principal business activities.

(Loss)/profit for the years/period under review

As a result of the above, the Target Group recorded a loss of RMB15.2 million, a loss of RMB5.9 million, a profit of RMB62.6 million and a loss of RMB10.1 million for the years ended 31 December 2010, 2011, 2012 and for the four months ended 30 April 2013 respectively.

Total assets

Total assets of the Target Group were RMB434.5 million, RMB509.7 million, RMB643.0 million and RMB602.3 million as at 31 December 2010, 2011, 2012 and 30 April 2013 respectively.

Total assets of CEC Xi'an were RMB30.8 million, RMB105.5 million, RMB98.4 million and RMB96.1 million as at 31 December 2010, 2011, 2012 and 30 April 2013 respectively.

The Target Group

Non-current assets

Non-current assets of the Target Group were RMB353.8 million, RMB418.1 million, RMB440.9 million and RMB452.4 million as at 31 December 2010, 2011, 2012 and 30 April 2013 respectively. Non-current assets of the Target Group comprise mainly of (i) investment properties which comprise office units and buildings held for rental purposes, (ii) investments in associates; and (iii) deferred tax assets.

The increasing trends in the non-current assets of the Target Group since 2010 were due to (i) increases in the fair value of the investment properties; and (ii) increases in the carrying value of the Target Group's interest in an associate, Hainan RSC, as it commenced sales of properties in 2011.

Current assets

Current assets of the Target Group were RMB80.7 million, RMB91.5 million, RMB202.1 million and RMB149.8 million as at 31 December 2010, 2011, 2012 and 30 April 2013 respectively. Current assets of the Target Group comprise mainly of (i) trade and other receivables; (ii) cash and cash equivalents; and (iii) assets held for sale.

Current assets of the Target Group increased 13.4% from RMB80.7 million as of 31 December 2010 to RMB91.5 million as of 31 December 2011. The increase was mainly due to payment for land use right installment payment of RMB12.5 million out of proceeds from borrowings.

Current assets of the Target Group increased 120.9% from RMB91.5 million as of 31 December 2011 to RMB202.1 million as of 31 December 2012. The increase was mainly due to (i) a loan of RMB23.0 million made to the other shareholder of Guangxi Future Land; (ii) an increase in assets held for sale of RMB45.7 million, which represents the value of the 50% equity interest in Guangxi Future Land which CEC Technology resolved in 2012 to dispose of; (iii) increase in cash and cash equivalents of RMB23.2 million; and (iv) dividend of RMB16.0 million receivable from Hainan RSC, an associate of the Target Group.

Current assets of the Target Group decreased 25.9% from RMB202.1 million as of 31 December 2012 to RMB149.8 million as of 30 April 2013. The decrease was mainly due to the decrease in cash and cash equivalents of RMB48.2 million which was mainly attributable to payment of construction costs, salaries and payments for investment properties.

During the period under review, the assets of CEC Xi'an comprises mainly of (i) cash and cash equivalents; (ii) properties under development; and (iii) other receivables and prepayments. Properties under development comprises mainly of construction costs and costs of land use rights, less government grant received by CEC Xi'an. Other receivables and prepayments comprise mainly of prepayments for land use rights and amounts due from CEC Beihai and Guangxi Future Land.

Liabilities

Total liabilities of the Target Group were RMB377.9 million, RMB457.7 million, RMB534.5 million and RMB503.9 million as at 31 December 2010, 2011, 2012 and 30 April 2013 respectively which comprises mainly of short term and long term bank borrowings as well as borrowings from CEC Finance. The increases in the amount of loans reflect the development needs of the Target Group.

By reason of the above, the net asset value of the Target Group were RMB56.6 million, RMB52.0 million, RMB108.5 million and RMB98.4 million as at 31 December 2010, 2011, 2012 and 30 April 2013 respectively.

Liquidity, financial position, charge on assets and capital structure

As at 31 December 2010, 2011, 2012 and 30 April 2013, the Target Group had current ratios of 34.6%, 32.3%, 47.2% and 37.7% respectively.

During the period under review, the Target Group had mainly utilised loans to finance its development. As at 30 April 2013, such loans had a weighted average effective interest rate of 6.38%, and 66.6% of the borrowings are repayable within one year.

Employment and remuneration policies

The Target Group had 57, 54, 67 and 52 employees as at 31 December 2010, 2011 and 2012 and 30 April 2013, respectively. They were remunerated on the basis of performance and experience and such remuneration is reviewed regularly with reference to industry practices. Total employee benefit expenses of the Target Group for the years ended 31 December 2010, 2011 and 2012 and for the four months ended 30 April 2013 were RMB10.8 million, RMB10.2 million, RMB11.5 million and RMB2.2 million respectively.

Significant investments held and future plans for material investments or capital assets

The significant investments held by the Target Group were investment properties located in the PRC and are leased out with term ranging from 1 to 20 years (2010: RMB213.7 million; 2011: RMB253.3 million; 2012: RMB286.8 million; April 2013: RMB310.1 million).

As at 30 April 2013, save for the acquisition of 38.96% equity interest in CEC Xi'an at an aggregate consideration of RMB54 million (equivalent to approximately HK$67.5 million), the Target Group does not have any future plans for material investments.

Capital commitments and contingent liabilities

As at 30 April 2013, the Target Group had no material capital commitments for the acquisition of fixed assets and intangible assets and contingent liabilities.

Foreign exchange exposure

The operation of the Target Group is principally in the PRC and the principal assets and liabilities of Target Group are denominated in Renminbi. As such, the Target Group considered that it did not have any material exposure to fluctuations in exchange rate and hence no hedging measures were taken.

Acquisition and disposal

There were no material acquisitions and disposals of subsidiary, jointly controlled entity and associated company by the Target Group during the years ended 31 December 2010, 2011 and 2012 and four months ended 30 April 2013.

Outlook

Apart from the location that the subsidiaries and the associates of the Target Group, namely CEC Beihai, Hainan RSC and CEC Xi'an from which they are offered with convenient transportation and affluent economic resources, the favorable policies that are being rolled out to support the industry as well as the comprehensive supporting facilities within the industrial parks will also be catalysts for sustainable development.

To make good use of the opportunities and facilities that are being presented to the Target Group, it is planned that the Target Group will be developed under a four-pronged strategy: firstly, to enhance the image of the Target Group through comprehensive marketing measures; secondly, to focus on the technology industry and to step up infrastructure construction for industrial parks with a view to further promoting the coordination between the industrial parks and the neighbouring cities; thirdly, to develop a product chain through the utilisation of the strengths in terms of the brand, management expertise and industry reputation of CEC; and fourthly, to attract investment on an ongoing basis from leading enterprises with a view to bringing in interrelated resources which would in turn result in resources concentration.

With the opportunities that are presented to the Target Group and the strategies that are to be adopted as well as the support to be provided by CEC, the Board is confident that the Industrial Parks would eventually be transformed into fully-functional industrial cities which would ensure the sustainable growth for the Target Group.

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

Financial information of the Group for each of the years ended 31 December 2010, 2011 and 2012 is disclosed on pages 32 to 106 of the annual report of the Company for the year ended 31 December 2010 published on 15 March 2011, pages 31 to 94 of the annual report of the Company for the year ended 31 December 2011 published on 13 March 2012 and pages 37 to 98 of the annual report of the Company for the year ended 31 December 2012 published on 7 March 2013, respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cecholding.com).

Selected consolidated financial information of the Group

Consolidated balance sheets

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	858,146	1,054,878	1,348,706
Total liabilities	385,359	447,299	542,904
Total equity	472,787	607,579	805,802
Net current assets	423,696	555,283	736,504

Consolidated income statements

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	574,586	995,111	1,155,632
Profit before taxation	63,126	131,229	225,523
Profit for the year	59,941	114,659	197,584

Consolidated statements of cash flows

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Cash (outflows)/inflows from operating activities	(128,097)	70,493	190,092
Cash outflows from investing activities	(9,757)	(4,406)	(16,901)
Cash outflows from financing activities	–	–	(23,437)
(Decrease)/increase in cash and cash equivalents	(137,854)	66,087	149,754

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc

羅兵咸永道

28 August 2013

The Directors
China Electronics Corporation Holdings Company Limited

Dear Sirs,

We report on the financial information (the "Financial Information") of China Electronics Technology Development Company Limited (中國電子科技開發有限公司,"Target") and its subsidiaries (together, the "Target Group"), which comprises the consolidated and company balance sheets of the Target as at 31 December 2010, 2011 and 2012 and 30 April 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of China Electronics Corporation Holdings Company Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix IIIA to the circular of the Company dated 28 August 2013 (the "Circular") in connection with the proposed acquisition of the Target by the Company (the "Acquisition").

The Target was incorporated in the People's Republic of China (the "PRC") on 9 April 1988 as a company with limited liability under the Companies Law of the PRC.

As at the date of this report, the Target has direct and indirect interests in the subsidiaries, a jointly controlled entity and associates as set out in Notes 9, 10 and 11 of Section II below.

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The directors of the Target for the Relevant Periods are responsible for the preparation of the consolidated financial statements of the Target that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2012.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target and of the Target Group as at 31 December 2010, 2011 and 2012 and 30 April 2013 and of the Target Group's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix IIIA to the circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target for the four months ended 30 April 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and fair presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2012.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Target Group prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and 30 April 2013 and for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2012 and 2013.

Consolidated Balance Sheets

		As at 31 December			As at 30 April
		2010	2011	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	16,842	17,083	12,465	12,571
Investment properties	*7*	213,691	253,277	286,792	310,084
Land use rights held for self-use	*8*	1,221	1,196	1,696	1,291
Investment in a jointly controlled entity	*10*	–	–	18,260	18,261
Investments in associates	*11*	28,459	52,661	69,425	59,932
Trade and other receivables	*13*	30,850	30,998	9,011	9,185
Deferred tax assets	*18*	62,753	62,903	43,255	41,099
		353,816	418,118	440,904	452,423
Current assets					
Land use rights held for sale	*12*	15,858	16,093	4,335	652
Trade and other receivables	*13*	29,065	40,010	93,514	93,147
Cash and cash equivalents	*14*	35,799	35,431	58,590	10,387
		80,722	91,534	156,439	104,186
Assets held for sale	*15*	–	–	45,650	45,652
		80,722	91,534	202,089	149,838
Total assets		434,538	509,652	642,993	602,261

		As at 31 December			As at 30 April
		2010	2011	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY AND LIABILITIES					
Equity					
Paid-in capital	*16*	100,000	100,000	100,000	100,000
Other reserves	*16*	19,670	24,733	26,887	26,887
Accumulated losses		(63,009)	(72,762)	(18,390)	(28,522)
Total equity		56,661	51,971	108,497	98,365
Liabilities					
Non-current liabilities					
Borrowings	*17*	143,000	172,000	104,000	104,000
Deferred tax liabilities	*18*	1,627	1,947	2,435	2,507
		144,627	173,947	106,435	106,507
Current liabilities					
Advanced proceeds from customers	*19*	5,567	19,899	15,208	18,762
Trade and other payables	*20*	33,061	54,829	122,394	103,168
Borrowings	*17*	137,000	145,400	222,400	207,400
Income tax payables		57,622	63,606	68,059	68,059
		233,250	283,734	428,061	397,389
Total liabilities		377,877	457,681	534,496	503,896
Total equity and liabilities		434,538	509,652	642,993	602,261
Net current liabilities		152,528	192,200	225,972	247,551
Total assets less current liabilities		201,288	225,918	214,932	204,872

Balance Sheets of the Target

		As at 31 December			As at 30 April
		2010	2011	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	9,764	9,798	9,023	8,961
Investment properties	*7*	12,378	13,342	14,974	15,157
Investments in subsidiaries	*9*	150,000	153,000	153,000	153,000
Investments in associates	*11*	26,450	35,500	35,500	35,500
Other receivables	*13*	14,327	13,413	9,011	9,185
		212,919	225,053	221,508	221,803
Current assets					
Amounts due from subsidiaries	*9*	–	7,000	26,186	34,277
Other receivables	*13*	9,642	4,064	20,694	4,379
Cash and cash equivalents	*14*	23,642	22,090	6,946	3,803
		33,284	33,154	53,826	42,459
Total assets		246,203	258,207	275,334	264,262

		As at 31 December			As at 30 April
		2010	2011	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY AND LIABILITIES					
Equity					
Paid-in capital	*16*	100,000	100,000	100,000	100,000
Other reserves	*16*	19,670	20,173	22,327	22,327
Accumulated losses		(13,638)	(16,076)	(21,224)	(27,556)
Total equity		106,032	104,097	101,103	94,771
Liabilities					
Non-current liabilities					
Borrowings	*17*	–	20,000	–	–
Deferred tax liabilities	*18*	1,627	1,947	2,435	2,507
Amounts due to subsidiaries	*9*	–	2,970	2,970	2,970
		1,627	24,917	5,405	5,477
Current liabilities					
Trade and other payables	*20*	8,544	9,193	8,826	4,014
Borrowings	*17*	130,000	120,000	160,000	160,000
		138,544	129,193	168,826	164,014
Total liabilities		140,171	154,110	174,231	169,491
Total equity and liabilities		246,203	258,207	275,334	264,262
Net current liabilities		105,260	96,039	115,000	121,555
Total assets less current liabilities		107,659	129,014	106,508	100,248

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Four months ended 30 April	
		2010	2011	2012	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*5*	34,221	14,301	9,015	1,001	987
Cost of sales	*21*	(38,544)	(8,072)	(5,053)	(67)	(146)
Gross (loss)/profit		(4,323)	6,229	3,962	934	841
Other income		–	1,050	–	–	–
Other gains/(losses) – net	*22*	10,928	(2,699)	99,068	4,901	14,151
Selling and marketing costs	*21*	(4,920)	(7,031)	(5,100)	(1,782)	(993)
Administrative expenses	*21*	(21,084)	(21,753)	(27,929)	(5,933)	(7,116)
Operating (loss)/profit		(19,399)	(24,204)	70,001	(1,880)	6,883
Finance income	*24*	900	3,269	2,010	662	646
Finance costs	*24*	(1,329)	(5,973)	(16,722)	(5,264)	(5,943)
Finance costs – net	*24*	(429)	(2,704)	(14,712)	(4,602)	(5,297)
Share of (loss)/profit of a jointly controlled entity	*10*	–	–	(858)	–	3
Share of (loss)/profit of associates	*11*	(1,776)	27,152	32,764	1,641	(9,493)
(Loss)/profit before taxation		(21,604)	244	87,195	(4,841)	(7,904)
Taxation	*25*	6,441	(6,154)	(24,589)	179	(2,228)
(Loss)/profit for the year/period		(15,163)	(5,910)	62,606	(4,662)	(10,132)
Total comprehensive (loss)/income for the year/period		(15,163)	(5,910)	62,606	(4,662)	(10,132)
(Loss)/profit attributable to owner of the Target		(15,163)	(5,910)	62,606	(4,662)	(10,132)
Total comprehensive (loss)/income attributable to owner of the Target		(15,163)	(5,910)	62,606	(4,662)	(10,132)

Consolidated Statements of Changes in Equity

	Total equity			
	Paid-in capital *RMB'000* *(Note 16)*	**Other reserves** *RMB'000* *(Note 16)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2010	65,000	19,670	(32,496)	52,174
Loss and total comprehensive loss for the year	–	–	(15,163)	(15,163)
Total contributions by and distributions to owner of the Target recognised directly in equity:				
Capital injection	35,000	–	–	35,000
Dividends	–	–	(15,350)	(15,350)
Total contributions by and distributions to owner of the Target	35,000	–	(15,350)	19,650
Balance at 31 December 2010	100,000	19,670	(63,009)	56,661
Balance at 1 January 2011	100,000	19,670	(63,009)	56,661
Loss and total comprehensive loss for the year	–	–	(5,910)	(5,910)
Total contributions by and distributions to owner of the Target recognised directly in equity:				
Transfer to statutory surplus reserve	–	503	(503)	–
Deemed contribution from owner of the Target	–	4,560	–	4,560
Dividends	–	–	(3,340)	(3,340)
Total contributions by and distributions to owner of the Target	–	5,063	(3,843)	1,220
Balance at 31 December 2011	100,000	24,733	(72,762)	51,971

	Total equity			
	Paid-in capital	**Other reserves**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 16)	*(Note 16)*		
Balance at 1 January 2012	100,000	24,733	(72,762)	51,971
Profit and total comprehensive income for the year	–	–	62,606	62,606
Total contributions by and distributions to owner of the Target recognised directly in equity:				
Transfer to statutory surplus reserve	–	2,154	(2,154)	–
Dividends	–	–	(6,080)	(6,080)
Total contributions by and distributions to owner of the Target	–	2,154	(8,234)	(6,080)
Balance at 31 December 2012	100,000	26,887	(18,390)	108,497
Balance at 1 January 2013	100,000	26,887	(18,390)	108,497
Loss and total comprehensive loss for the period	–	–	(10,132)	(10,132)
Balance at 30 April 2013	100,000	26,887	(28,522)	98,365
(Unaudited)				
Balance at 1 January 2012	100,000	24,733	(72,762)	51,971
Loss and total comprehensive loss for the period	–	–	(4,662)	(4,662)
Balance at 30 April 2012	100,000	24,733	(77,424)	47,309

Consolidated Statements of Cash Flows

		Year ended 31 December			Four months ended 30 April	
		2010	2011	2012	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	*26*	38,595	(8,352)	(42,803)	(7,181)	(34,165)
Interest paid		(15,719)	(19,616)	(22,106)	(6,672)	(5,943)
Income tax refund		16,232	–	–	–	–
Income tax paid		(748)	–	–	–	–
Net cash generated from/(used in) operating activities		38,360	(27,968)	(64,909)	(13,853)	(40,108)
Cash flows from investing activities						
Payments for investment in a jointly controlled entity		–	–	(10,050)	–	–
Payments for investments in associates		(9,450)	(22,050)	–	–	–
Purchases of property, plant and equipment		(5,230)	(2,296)	(720)	(530)	(663)
Payments for investment properties		(98,932)	(31,682)	(16,134)	(10,233)	(12,918)
Purchases of land use rights held for self-use		–	–	(526)	–	–
Deposits received in relation to the partial disposal of investment in Guangxi Future Land		–	10,000	62,000	15,000	–
Proceeds from government grants		43,903	3,200	50,399	–	4,415
Proceeds from sales of property, plant and equipment	*26*	6	427	73	–	–
Interest received		120	1,381	106	27	71
Proceeds from return of investment cost		15,500	18,000	–	–	–
Dividend received from an associate		–	12,000	–	–	16,000
Net cash (used in)/generated from investing activities		(54,083)	(11,020)	85,148	4,264	6,905

		Year ended 31 December			Four months ended 30 April	
		2010	2011	2012	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from financing activities						
Capital contribution from owner of the Target		35,000	–	–	–	–
Proceeds from deemed contribution from owner of the Target	*16*	–	4,560	–	–	–
Proceeds from borrowings		250,000	169,000	215,000	60,000	20,000
Repayments of borrowings		(250,000)	(131,600)	(206,000)	(60,000)	(35,000)
Dividends paid to owner of the Target		(15,350)	(3,340)	(6,080)	–	–
Net cash generated from/(used in) financing activities		19,650	38,620	2,920	–	(15,000)
Net increase/(decrease) in cash and cash equivalents		3,927	(368)	23,159	(9,589)	(48,203)
Cash and cash equivalents at beginning of the year/period		31,872	35,799	35,431	35,431	58,590
Cash and cash equivalents at end of the year/period	*14*	35,799	35,431	58,590	25,842	10,387

II. NOTES TO FINANCIAL INFORMATION

1. General information

China Electronics Technology Development Company Limited (中國電子科技開發有限公司) (the "Target") and its subsidiaries (together, the "Target Group") are principally engaged in the development and management of electronic information technology industrial park in the PRC.

The Target is a limited liability company incorporated in the PRC on 9 April 1988 and is wholly owned by China Electronics Corporation Limited ("CEC"). The address of its registered office is 17/F, CEC Building, No. 6, Zhongguancun South Street, Haidian District, Beijing, PRC.

The financial information of the Target Group (the "Financial Information") is presented in the units of Renminbi ("RMB") thousand Yuan, unless otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of Financial Information in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

(a) New and amendment to standards and interpretations

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2013, are consistently applied to the Target Group for the Relevant Periods.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted by the Target Group.

- Amendment to HKAS 32 "Financial instruments: Presentation" on asset and liability offsetting, these amendments are made to the application guidance in HKAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is effective for annual periods beginning on or after 1 January 2014.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, "Investment entities", provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

- HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This new standard is effective for annual periods beginning on or after 1 January 2015.

- Amendments to HKFRS 9 and HKFRS 7, Mandatory Effective Date and Transition Disclosures, which amends the effective date of HKFRS 9 "Financial Instruments" to annual periods beginning on or after 1 January 2015 and also modifies the relief from restating comparative periods and the associated disclosures in HKFRS 7 "Financial Instruments: Disclosures".

The Target Group is in the process of making an assessment of the impact of the above standards and amendments to standards on the financial statements of The Target Group in their initial applications.

(b) Going concern basis

As at 30 April 2013, the Target Group's current liabilities exceeded its current assets by approximately RMB247,551,000. The Target Group's current liabilities mainly included borrowings, trade and other payables and income tax payables. Based on the Target Group's history of obtaining financing, its operating performance, the unsecured loan facilities amounting to RMB400 million from China Electronics Financial Co., Ltd. ("CEC Finance"), a subsidiary of CEC, its working capital forecast and financial obligations in the next twelve months, the directors of the Target consider that there are sufficient resources available to the Target Group to meet the liabilities as and when they fall due to and carry on its business in the foreseeable future. Accordingly, the directors of the Target have prepared the Financial Information on a going concern basis.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Target Group has control. The Target Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

The Target Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the identifiable net assets acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Target Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates and jointly controlled entities

Associates are all entities over which the Target Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. A jointly controlled entity is an entity which there is a contractual arrangement whereby the Target Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in associates and jointly controlled entities are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Target Group's investments in associates and jointly controlled entities include goodwill identified on acquisition.

The Target Group's share of its associates and jointly controlled entities' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Target Group's share of loss in associates and jointly controlled entities equals or exceeds its interests in the associates and jointly controlled entities, including any other unsecured receivables, the Target Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates and jointly controlled entities.

The Target Group determines at each reporting date whether there is any objective evidence that the investment in the associates and jointly controlled entities is impaired. If this is the case, the Target Group calculates the amount of impairment as the difference between the recoverable amount of the associates and jointly controlled entities and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" and "share of profit/(loss) of jointly controlled entities" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Target Group and its associates and jointly controlled entities are recognised in the Target Group's financial statements only to the extent of unrelated investor's interests in the associates and jointly controlled entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the Target operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the Target's functional currency and the Target Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	5-10 years
Office equipment and others	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.8)*.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the consolidation statements of comprehensive income.

Construction in progress represents the direct costs of construction incurred in property less any impairment losses. No provision for depreciation is made on construction in progress until such time that the relevant assets are completed and available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Target Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Target Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Changes in fair values are recognised in profit or loss as part of a valuation gain or loss in "other gains/(losses) – net".

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is under construction or development for future use as investment property is classified as investment property under construction. Where fair value of investment properties under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation. The resulting increase in the carrying amount is recognised in other comprehensive income and increases revaluation surplus within equity. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement, and the remaining part of the increase is recognised in other comprehensive income and increases revaluation surplus within equity.

2.8 *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered from impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 *Non-current assets (or disposal groups) held-for-sale and discontinued operations*

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Target Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Target Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.10 Financial assets

(a) Classification

The Target Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Target Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheets.

(b) Recognition and measurement

Regular purchases and sales of investments are recognised on trade-date – the date on which the Target Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

2.11 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of related parties to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Target Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18 "Revenue", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. Any increase in the liability relating to guarantees is reported in the consolidated statements of comprehensive income within "other gains/ losses – net".

Financial guarantee liabilities are derecognised from the consolidated balance sheets when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Target.

2.12 Impairment of financial assets carried at amortised cost

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.13 Land use rights

The Target Group made upfront payments to obtain operating leases of land use rights. If the land use rights are held for sale, the upfront payments are recorded as land use right held for sale. Land use rights held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of land use rights sold in the ordinary course of business, less applicable variable selling expenses, or by management based on prevailing marketing conditions. If the land use rights are held by the Target Group for self-use, the upfront payments are recorded as a separate asset and are amortised to profit or loss on a straight-line basis over their lease periods.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.16 Paid-in capital

Paid-in capital is classified as equity.

2.17 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Current and deferred taxation

The taxation expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

(i) Inside basis differences

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

The Target Group participates in employee benefit plans, including pension, medical and other welfare benefits, organised by the government authorities in accordance with relevant regulations. Except for the above social security benefits, the Target Group has no other material commitment to other employee welfare benefits. According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees, subject to certain ceiling. Contributions to the plans are expensed as incurred.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Target Group's activities. Revenue is shown net of discounts. Revenue is recognised as follows:

(a) Sales of land use rights

Revenue from sales of land use rights is recognised when the risks and rewards of land use rights are transferred to the purchasers, which is when the ownership certificates of land use rights have been transferred to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on land use rights sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds from customers under current liabilities.

(b) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds from customers under current liabilities.

(c) Rental income

Rental income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

(d) Rendering of consulting services

Revenue from rendering of consulting services is recognised in the accounting period in which the services are rendered. It is recognised within "other income" in the consolidated statements of comprehensive income.

2.23 Interest income

Interest income is recognised on a time-proportion using the effective interest method. When a loan and receivable is impaired, The Target Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to land use rights held for self-use, land use rights held for sale, properties under development, property, plant and equipment and investment properties are deducted from their respective carrying amounts.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Target Group is the lessee – Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(b) The Target Group is the lessor – When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.26 Dividend distribution

Dividend distribution to the Target's owner is recognised as a liability in the Target Group and the Target's financial statements in the period in which the dividends are approved by the Target's owner or directors, where appropriate.

3. Financial risk management

3.1 Financial risk factors

The Target Group conducts its operations in the PRC and its activities expose it to a variety of financial risks: market risk (mainly interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Market risk

(i) Cash flow interest rate risk

Other than deposits held in banks, the Target Group does not have significant interest-bearing assets. Fluctuation of market rates does not have a significant impact to the Target Group's performance.

The Target Group's exposure to changes in interest rates is mainly attributable to its borrowings which are at floating rates, and expose the Target Group to cash flow interest rate risk. As at 31 December 2010, 2011 and 2012 and 30 April 2013, if interest rates on borrowings had been 50 base points higher or lower with all variables held constant, post-tax profit of the Target Group for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013 would have been approximately RMB1,463,000, RMB1,506,000, RMB1,538,000 and RMB451,000 lower or higher, respectively, as a result of higher or lower interest expense on floating rate borrowings.

The Target's exposure to changes in interest rates is mainly attributable to its borrowings which are at floating rates, and expose the Target to cash flow interest rate risk. As at 31 December 2010, 2011 and 2012 and 30 April 2013, if interest rates on borrowings had been 50 base points higher or lower with all variables held constant, post-tax profit of the Target for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013 would have been approximately RMB717,000, RMB705,000, RMB838,000 and RMB267,000 lower or higher, respectively, as a result of higher or lower interest expense on floating rate borrowings.

(b) Credit risk

The credit risk of the Target Group mainly arises from cash and cash equivalents and trade and other receivables. The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to these financial assets.

As at the balance sheet dates, all the Target Group's deposits are mainly placed in state-owned financial institutions in the PRC. The directors of the Target believes these financial institutions are of high credit quality and do not expect any losses arising from non-performance by these counterparties.

For trade and other receivables, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of the credit quality. Based on the repayment history and the results of assessment of the credit quality of the counterparties, the directors of the Target are of the opinion that the risk of default by these counterparties is not significant.

(c) Liquidity risk

The Target Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Target Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. The Target Group expected to fund the future cash flow needs through internally generated cash flows from operations and committed credit facility.

The table below analyses the Target Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Target Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010				
Principal of borrowings	137,000	12,000	131,000	280,000
Interest of borrowings	14,274	7,961	12,961	35,196
Trade and other payables (excluding other taxes payable and salary payable)	26,912	–	–	26,912
	178,186	19,961	143,961	342,108
At 31 December 2011				
Principal of borrowings	145,400	68,000	104,000	317,400
Interest of borrowings	19,903	8,870	7,004	35,777
Trade and other payables (excluding other taxes payable and salary payable)	46,408	–	–	46,408
Financial guarantee contracts	–	–	5,000	5,000
	211,711	76,870	116,004	404,585
At 31 December 2012				
Principal of borrowings	222,400	52,000	52,000	326,400
Interest of borrowings	15,544	5,239	1,744	22,527
Trade and other payables (excluding other taxes payable and salary payable)	109,749	–	–	109,749
Financial guarantee contracts	–	5,000	–	5,000
	347,693	62,239	53,744	463,676
At 30 April 2013				
Principal of borrowings	207,400	52,000	52,000	311,400
Interest of borrowings	12,527	4,104	581	17,212
Trade and other payables (excluding other taxes payable and salary payable)	96,567	–	–	96,567
Financial guarantee contracts	–	5,000	–	5,000
	316,494	61,104	52,581	430,179

Target

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010					
Principal of borrowings	130,000	–	–	–	130,000
Interest of borrowings	5,800	–	–	–	5,800
Trade and other payables (excluding other taxes payable and salary payable)	5,132	–	–	–	5,132
	140,932	–	–	–	140,932
At 31 December 2011					
Principal of borrowings	120,000	20,000	–	–	140,000
Interest of borrowings	8,528	358	–	–	8,886
Trade and other payables (excluding other taxes payable and salary payable)	5,528	–	–	–	5,528
Amounts due to subsidiaries	–	–	–	2,970	2,970
Financial guarantee contracts	15,000	21,000	5,000	–	41,000
	149,056	41,358	5,000	2,970	198,384
At 31 December 2012					
Principal of borrowings	160,000	–	–	–	160,000
Interest of borrowings	6,985	–	–	–	6,985
Trade and other payables (excluding other taxes payable and salary payable)	3,831	–	–	–	3,831
Amounts due to subsidiaries	–	–	–	2,970	2,970
Financial guarantee contracts	36,000	5,000	–	–	41,000
	206,816	5,000	–	2,970	214,786
At 30 April 2013					
Principal of borrowings	160,000	–	–	–	160,000
Interest of borrowings	5,007	–	–	–	5,007
Trade and other payables (excluding other taxes payable and salary payable)	3,255	–	–	–	3,255
Amounts due to subsidiaries	–	–	–	2,970	2,970
Financial guarantee contracts	21,000	5,000	–	–	26,000
	189,262	5,000	–	2,970	197,232

3.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target's ability to continue as a going concern in order to provide returns for its owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group monitors capital risk by regularly reviewing the capital structure. As a part of this review, the directors of the Target consider the cost of capital and the risks associated with the paid-in capital. To manage capital risk, the Target Group may seek additional funding from the owner, adjust the amount of dividends paid to its owner or return capital to its owner.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the Financial Information are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Principal assumptions underlying management's estimation of fair value of investment properties

The fair value of investment properties are assessed annually by an independent professional valuer. The valuation is performed using income approach based on the terms of any existing leases and other external evidence such as current market rents or sales for similar types of properties in the locality, and using capitalisation rates that reflect current market expectation for the assets being valued.

(c) Estimated impairment of receivables

The Target Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and impairment of receivables in the years in which such estimates have been changed.

5. Revenue and segment information

(a) Revenue

	Year ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales of land use rights	14,960	10,934	5,913	–	–
Sales of properties	16,522	–	–	–	–
Rental income	2,739	3,367	3,102	1,001	987
	34,221	14,301	9,015	1,001	987

(b) Segment information

The chief operating decision-maker has been identified as the board of directors of the Target. The board of directors reviews the Target Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The directors of the Target consider that the Target Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

Revenues of approximately RMB31,482,000, RMB10,934,000 and RMB5,913,000 for each of the years ended 31 December 2010, 2011 and 2012, respectively, were derived from three, two and one external customer(s). These revenues were attributable to sales of certain land use rights and properties. No revenue from a customer exceeded 5% or more of the Target Group's revenue for the four months ended 30 April 2012 and 2013.

The Target Group's non-current assets other than deferred tax assets are located in the PRC.

6. Property, plant and equipment

Target Group

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010					
Cost	8,494	3,152	1,012	3,614	16,272
Accumulated depreciation	(639)	(351)	(182)	–	(1,172)
Net book amount	7,855	2,801	830	3,614	15,100
Year ended 31 December 2010					
Opening net book amount	7,855	2,801	830	3,614	15,100
Interest capitalised *(Note 24)*	–	–	–	389	389
Additions	284	–	968	3,978	5,230
Government grants received	–	–	–	(2,927)	(2,927)
Depreciation	(403)	(280)	(261)	–	(944)
Disposals	–	–	(6)	–	(6)
Closing net book amount	7,736	2,521	1,531	5,054	16,842
At 31 December 2010					
Cost	8,778	3,152	1,970	5,054	18,954
Accumulated depreciation	(1,042)	(631)	(439)	–	(2,112)
Net book amount	7,736	2,521	1,531	5,054	16,842

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011					
Opening net book amount	7,736	2,521	1,531	5,054	16,842
Interest capitalised *(Note 24)*	–	–	–	9	9
Additions	–	1,834	189	273	2,296
Transfer	5,336	–	–	(5,336)	–
Depreciation	(594)	(378)	(339)	–	(1,311)
Disposals	–	(512)	(241)	–	(753)
Closing net book amount	12,478	3,465	1,140	–	17,083
At 31 December 2011					
Cost	14,114	4,312	1,793	–	20,219
Accumulated depreciation	(1,636)	(847)	(653)	–	(3,136)
Net book amount	12,478	3,465	1,140	–	17,083
Year ended 31 December 2012					
Opening net book amount	12,478	3,465	1,140	–	17,083
Additions	561	–	159	–	720
Government grants received	(3,658)	–	–	–	(3,658)
Depreciation	(787)	(408)	(349)	–	(1,544)
Disposals	–	(136)	–	–	(136)
Closing net book amount	8,594	2,921	950	–	12,465
At 31 December 2012					
Cost	11,017	4,100	1,952	–	17,069
Accumulated depreciation	(2,423)	(1,179)	(1,002)	–	(4,604)
Net book amount	8,594	2,921	950	–	12,465
Period ended 30 April 2013					
Opening net book amount	8,594	2,921	950	–	12,465
Additions	276	186	201	–	663
Government grants received	(145)	–	–	–	(145)
Depreciation	(172)	(135)	(105)	–	(412)
Closing net book amount	8,553	2,972	1,046	–	12,571

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 April 2013					
Cost	11,148	4,286	2,153	–	17,587
Accumulated depreciation	(2,595)	(1,314)	(1,107)	–	(5,016)
Net book amount	8,553	2,972	1,046	–	12,571

Depreciation charge was expensed in administrative expenses in the consolidated statements of comprehensive income.

The carrying amounts of buildings and construction in progress pledged as collateral for borrowings as at 31 December 2010, 2011 and 2012 and 30 April 2013 were as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings and construction in progress pledged as collateral for borrowings *(Note 17)*	12,790	12,478	8,594	8,553

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the ownership certificates of certain buildings of the Target Group with an aggregate carrying value of approximately RMB534,000, RMB5,163,000, RMB1,695,000 and RMB1,793,000, respectively, had not been obtained by the Target Group. After consultation made with the Target's legal counsel, the directors of the Target consider that there is no legal restriction for the Target Group to apply for and obtain the ownership certificates of these buildings.

Target

	Buildings	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010				
Cost	8,494	2,270	628	11,392
Accumulated depreciation	(639)	(290)	(160)	(1,089)
Net book amount	7,855	1,980	468	10,303
Year ended 31 December 2010				
Opening net book amount	7,855	1,980	468	10,303
Additions	–	–	215	215
Depreciation	(403)	(216)	(129)	(748)
Disposals	–	–	(6)	(6)
Closing net book amount	7,452	1,764	548	9,764
At 31 December 2010				
Cost	8,494	2,270	833	11,597
Accumulated depreciation	(1,042)	(506)	(285)	(1,833)
Net book amount	7,452	1,764	548	9,764
Year ended 31 December 2011				
Opening net book amount	7,452	1,764	548	9,764
Additions	–	1,400	24	1,424
Depreciation	(403)	(240)	(153)	(796)
Disposals	–	(512)	(82)	(594)
Closing net book amount	7,049	2,412	337	9,798

	Buildings	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011				
Cost	8,494	2,996	689	12,179
Accumulated depreciation	(1,445)	(584)	(352)	(2,381)
Net book amount	7,049	2,412	337	9,798
Year ended 31 December 2012				
Opening net book amount	7,049	2,412	337	9,798
Additions	–	–	34	34
Depreciation	(403)	(285)	(121)	(809)
Closing net book amount	6,646	2,127	250	9,023
At 31 December 2012				
Cost	8,494	2,996	723	12,213
Accumulated depreciation	(1,848)	(869)	(473)	(3,190)
Net book amount	6,646	2,127	250	9,023
Period ended 30 April 2013				
Opening net book amount	6,646	2,127	250	9,023
Additions	–	–	205	205
Depreciation	(134)	(95)	(38)	(267)
Closing net book amount	6,512	2,032	417	8,961
At 30 April 2013				
Cost	8,494	2,996	928	12,418
Accumulated depreciation	(1,982)	(964)	(511)	(3,457)
Net book amount	6,512	2,032	417	8,961

Depreciation charge was expensed in administrative expenses in the statements of comprehensive income.

The carrying amounts of buildings pledged as collateral for borrowings as at 31 December 2010, 2011 and 2012 and 30 April 2013 were as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings pledged as collateral for borrowings *(Note 17)*	7,452	7,049	6,646	6,512

7. Investment properties

Target Group

	Year ended 31 December			Four months ended 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	132,969	213,691	253,277	286,792
Interest capitalised *(Note 24)*	12,526	13,634	5,384	–
Additions	98,932	31,682	16,134	12,918
Government grants received	(40,976)	(3,200)	(46,741)	(3,876)
Fair value gains/(losses) *(Note 22)*	10,240	(2,530)	58,738	14,250
End of the year/period	213,691	253,277	286,792	310,084

The investment properties are located in the PRC and are subject to various tenancies with terms ranging from 1 to 20 years.

Amounts recognised in the consolidated statements of comprehensive income for investment properties for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2012 and 2013 were as follows:

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income	2,739	3,367	3,102	1,001	987
Direct operating expenses arising from investment properties that generate rental income	217	389	369	121	125

The investment properties were revalued on 31 December 2010, 2011, 2012 and 30 April 2013 by an independent professional property valuer. Valuations were performed using income approach based on the terms of any existing leases and other external evidence such as current market rents or sales for similar types of properties in the locality, and using capitalisation rates that reflect current market expectation for the assets being valued.

The fair value of investment properties pledged as collateral for borrowings as at 31 December 2010, 2011 and 2012 and 30 April 2013 were as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties pledged as collateral for borrowings *(Note 17)*	176,852	180,802	185,913	196,863

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are shown in Note 27.

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the ownership certificates of certain investment properties of the Target Group with an aggregate fair value of approximately RMB201,313,000, RMB239,935,000, RMB221,183,000 and RMB175,801,000, respectively, had not been obtained by the Target Group. After consultation made with the Target's legal counsel, the directors of the Target consider that there is no legal restriction for the Target Group to apply for and obtain the ownership certificates of these investment properties.

Target

	Year ended 31 December			Four months ended 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	11,200	12,378	13,342	14,974
Fair value gains	1,178	964	1,632	183
End of the year/period	12,378	13,342	14,974	15,157

The investment properties are located in the PRC and are subject to various tenancies with terms ranging from 1 to 2 years.

Amounts recognised in the statements of comprehensive income for investment properties for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2012 and 2013 were as follows:

	Year ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Rental income	696	686	732	166	166
Direct operating expenses arising from investment properties that generate rental income	105	242	239	75	76

The fair value of investment properties pledged as collateral for borrowings as at 31 December 2010, 2011 and 2012 and 30 April 2013 were as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties pledged as collateral for borrowings *(Note 17)*	12,378	13,342	14,974	15,157

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are shown in Note 27.

8. Land use rights held for self-use

	Year ended 31 December			Four months ended 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	1,247	1,221	1,196	1,696
Additions	–	–	526	–
Government grants received	–	–	–	(394)
Amortisation	(26)	(25)	(26)	(11)
End of the year/period	1,221	1,196	1,696	1,291

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong and in the PRC, held on:				
– Leases of between 10 to 50 years	1,221	1,196	1,696	1,291

Land use rights are all located in the PRC and for self-use.

The carrying amounts of land use rights pledged as collateral for borrowings as at 31 December 2010, 2011 and 2012 and 30 April 2013 were as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights pledged as collateral for borrowings *(Note 17)*	1,221	1,196	1,696	1,291

9. Investments in and amounts due from/to subsidiaries

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at cost, unlisted	150,000	153,000	153,000	153,000
Amounts due from subsidiaries				
– Dividend receivable	–	–	12,000	12,000
– Others	–	7,000	14,186	22,277
	–	7,000	26,186	34,277
Amounts due to subsidiaries	–	2,970	2,970	2,970

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand. As at 31 December 2010, 2011 and 2012 and 30 April 2013, the amounts due from subsidiaries are not impaired.

The amounts due to subsidiaries are unsecured, interest free and have no fixed repayment terms.

The Target Group has the following principal subsidiary as at 30 April 2013, which is a limited liability company incorporated and operating in the PRC.

Name	Year of establishment	Attributable equity interest held directly	Registered and paid in capital *RMB'000*	Principal activities
China Electronics Beihai Industrial Park Development Co., Ltd ("CEC Beihai") 中國電子北海產業園發展有限公司	2009	100%	150,000	Development and management of electronic information technology industrial parks

10. Investment in a jointly controlled entity

	Year ended 31 December 2012	Four months ended 30 April 2013
	RMB'000	*RMB'000*
Beginning of the year/period	–	18,260
Capital contribution	64,768	–
Share of (loss)/gain	(858)	3
Transfer to assets held for sale *(Note 15)*	(45,650)	(2)
End of the year/period	18,260	18,261

In 2012, CEC Beihai together with Guangxi Pufang Investment Management Co., Ltd (廣西浦房投資管理有限公司, "Guangxi Pufang") established a jointly controlled entity, Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司, "Guangxi Future Land"). CEC Beihai and Guangxi Pufang hold 70% and 30% equity interest in Guangxi Future Land, respectively. The capital contribution made by CEC Beihai was through injection of land use rights. The RMB64,768,000 of capital contribution included RMB14,380,000 of the carrying amount of the land use rights injected, RMB10,050,000 of the related tax and levies paid as a result of the investment and RMB40,338,000 representing the realisation of fair value gain on the land use rights upon injection into Guangxi Future Land.

Pursuant to the articles of association of Guangxi Future Land, all key operating and financial decisions shall be approved by both venturer. Therefore, Guangxi Future Land is accounted for as a jointly controlled entity of the Target Group.

As at 31 December 2012, the Target Group's share of the results of its jointly controlled entity, which is unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Loss	% interest held
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Guangxi Future Land	PRC	84,868	20,958	–	(858)	70%

As at 30 April 2013, the Target Group's share of the results of its jointly controlled entity, which is unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit	% interest held
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Guangxi Future Land	PRC	94,989	31,076	–	3	70%

11. Investments in associates

Target Group

	Year ended 31 December			Four months ended 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	41,285	28,459	52,661	69,425
Capital contributions	9,450	22,050	–	–
Share of (loss)/profit	(1,776)	27,152	32,764	(9,493)
Return of investment cost	(20,500)	(13,000)	–	–
Dividends	–	(12,000)	(16,000)	–
End of the year/period	28,459	52,661	69,425	59,932

Target

	Year ended 31 December			Four months ended 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	37,500	26,450	35,500	35,500
Capital contributions	9,450	22,050	–	–
Return of investment cost	(20,500)	(13,000)	–	–
End of the year/period	26,450	35,500	35,500	35,500

The Target Group has two associates: Hainan Resort Software Community Investment and Development Co., Ltd（海南生態軟件園投資發展有限公司）(“Hainan RSC”) and China Electronics Xi'an Industrial Park Development Co., Ltd（中國電子西安產業園發展有限公司）(“CEC Xi'an”).

As at 31 December 2010, the Target Group's share of the results of its associates, which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Loss	% interest held
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Hainan RSC	PRC	132,907	85,623	402	(1,702)	40%
CEC Xi'an	PRC	8,412	19	–	(74)	27.27%
		141,319	85,642	402	(1,776)	

As at 31 December 2011, the Target Group's share of the results of its associates, which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/ (Loss)	% interest held
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Hainan RSC	PRC	175,785	116,555	82,950	28,947	40%
CEC Xi'an	PRC	28,769	2,250	79	(1,795)	27.27%
		204,554	118,805	83,029	27,152	

As at 31 December 2012, the Target Group's share of the results of its associates, which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/ (Loss)	% interest held
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Hainan RSC	PRC	183,066	105,515	73,081	34,321	40%
CEC Xi'an	PRC	26,845	1,885	–	(1,557)	27.27%
		209,911	107,400	73,081	32,764	

As at 30 April 2013, the Target Group's share of the results of its associates, which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Loss	% interest held
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Hainan RSC	PRC	198,597	129,912	121	(8,866)	40%
CEC Xi'an	PRC	26,212	1,878	–	(627)	27.27%
		224,809	131,790	121	(9,493)	

12. Land use rights held for sale

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within the normal operating cycle included under current assets:				
– to be realised within one year	15,858	16,093	4,335	652
Amounts comprise:				
– Costs of land use rights	193,382	181,611	33,804	33,805
Less: government grants received	(177,524)	(165,518)	(29,469)	(33,153)
	15,858	16,093	4,335	652

The carrying amounts of land use rights held for sale pledged as collateral for borrowings as at 31 December 2010, 2011 and 2012 and 30 April 2013 were as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights held for sale pledged as collateral for borrowings *(Note 17)*	1,197	897	4,335	652

The carrying value of the land use rights held for sale is analysed as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong and in the PRC, held on:				
– Leases of between 10 to 50 years	15,858	16,093	4,335	652

13. Trade and other receivables

Target Group

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note (a))*	29,334	33,559	32,906	27,096
Dividend receivable from an associate	5,000	–	16,000	–
Amount due from a jointly controlled entity	–	–	1,050	22,050
Amounts due from related parties	982	762	1,458	1,584
Amount due from Guangxi Pufang	–	–	23,000	22,110
Other receivables	23,803	35,399	26,201	27,308
Prepayments	796	1,288	1,910	2,184
	59,915	71,008	102,525	102,332
Less: Non-current portion of trade receivables	(16,523)	(17,585)	–	–
Less: Non-current portion of other receivables	(14,327)	(13,413)	(9,011)	(9,185)
	(30,850)	(30,998)	(9,011)	(9,185)
Current portion	29,065	40,010	93,514	93,147

Target

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividend receivable from an associate	5,000	–	16,000	–
Amounts due from related parties	882	662	1,359	1,484
Other receivables	18,087	16,815	12,346	12,080
	23,969	17,477	29,705	13,564
Less: Non-current portion of other receivables	(14,327)	(13,413)	(9,011)	(9,185)
Current portion	9,642	4,064	20,694	4,379

Non-current trade receivables are arising from the sale of a property to a third party customer. Pursuant to the related sales agreement, the receivable from the sale of the property is due in 3 years.

Non-current other receivables are arising from rendering of installation services to a third party which were completed prior to 2010. Pursuant to the related service agreement, the receivable from rendering of the installation services is due on a 5-year installment basis.

The fair values of non-current receivables are as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current trade receivables	16,523	17,298	–	–
Non-current other receivables	14,176	13,180	8,958	9,145
	30,699	30,478	8,958	9,145

The fair value of non-current trade receivables are based on cash flows discounted using interest rates based on the prevailing borrowing rates of 5.85% and 6.65% promulgated by the People's Bank of China as at 31 December 2010 and 2011, respectively.

The fair value of non-current other receivables are based on cash flows discounted using interest rates based on the prevailing borrowing rates of 6.22%, 6.90%, 6.40% and 6.40% promulgated by the People's Bank of China as at 31 December 2010, 2011 and 2012 and 30 April 2013, respectively.

The effective interest rate on non-current trade receivables was 6.44% as at 31 December 2010 and 2011.

The effective interest rate on non-current other receivables was 5.76% as at 31 December 2010, 2011 and 2012 and 30 April 2013.

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the fair values of current portion of trade and other receivables approximate their carrying amounts due to their short maturities.

(a) Trade receivables are mainly arisen from sales of land use rights, sales of properties and rental income from investment properties. The Target Group generally granted a credit term of 1 to 9 months to land use rights buyers. Credit term granted to the property buyer is 3 years. There are generally no credit terms available for rental income. The ageing analysis of trade receivables based on their respective revenue recognition dates is as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	19,322	1,527	582	738
Over 3 months and within 6 months	–	545	582	582
Over 6 months and within 1 year	10,012	1,091	1,163	582
Over 1 year and within 2 years	–	30,396	3,163	2,145
Over 2 years and within 3 years	–	–	27,416	22,175
Over 3 years	–	–	–	874
	29,334	33,559	32,906	27,096

Trade receivables are analysed as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fully performing under credit terms	19,322	20,748	21,043	21,019
Past due but not impaired	10,012	12,811	11,863	6,077
	29,334	33,559	32,906	27,096

Past due but not impaired receivables mainly represent receivables from sales of land use rights held for sale and rental income from investment properties. The directors of the Target consider that these receivables would be recovered and no provision was therefore made against these receivables as at 31 December 2010, 2011 and 2012 and 30 April 2013. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 6 months and within 1 year	10,012	–	–	–
Over 1 year and within 2 years	–	12,811	3,163	2,145
Over 2 years and within 3 years	–	–	8,700	3,058
Over 3 years	–	–	–	874
	10,012	12,811	11,863	6,077

The maximum exposure to credit risk at the end of each reporting period is the carrying value of the trade and other receivables.

14. Cash and cash equivalents

Target Group

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents:				
– At bank and on hand	15,108	16,301	54,575	7,632
– At CEC Finance *(Note 28)*	20,691	19,130	4,015	2,755
	35,799	35,431	58,590	10,387

Target

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents:				
– At bank and on hand	2,951	2,960	2,931	1,774
– At CEC Finance *(Note 28)*	20,691	19,130	4,015	2,029
	23,642	22,090	6,946	3,803

The fair values of cash and cash equivalents approximate their carrying amounts. All cash and cash equivalents are denominated in RMB.

15. Assets held for sale

On 17 December 2012, CEC Beihai announced an intention to sell its 50% equity interest in Guangxi Future Land (the "Selling Interest") at a consideration of RMB141,410,000 through Shanghai United Assets and Equity Exchange. Guangxi Pufang, the other venturer of Guangxi Future Land, was interested in acquiring the Selling Interest and has made deposits of RMB72,000,000 in total as of 30 April 2013. The transaction is expected to completed within 1 year.

Assets held for sale are analysed as follows:

	As at 31 December 2012	As at 30 April 2013
	RMB'000	*RMB'000*
Transferred from investment in a jointly controlled entity *(Note 10)*	45,650	45,652

16. Paid-in capital and other reserves

Target Group

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	100,000	100,000	100,000	100,000
Other reserves *(Note (a))*	19,670	24,733	26,887	26,887

Target

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	100,000	100,000	100,000	100,000
Other reserves *(Note (a))*	19,670	20,173	22,327	22,327

(a) The movement of other reserves are as follows:

Target Group

	Capital reserve	Statutory surplus reserve	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (i))	*(Note (ii))*	*(Note (iii))*	
Balance at 1 January 2010, 31 December 2010 and at 1 January 2011	19,610	60	–	19,670
Appropriation from retained earnings	–	503	–	503
Deemed contribution from owner of the Target	–	–	4,560	4,560
Balance at 31 December 2011	19,610	563	4,560	24,733
Balance at 1 January 2012	19,610	563	4,560	24,733
Appropriation from retained earnings	–	2,154	–	2,154
Balance at 31 December 2012, 1 January 2013 and 30 April 2013	19,610	2,717	4,560	26,887

Target

	Capital reserve	Statutory surplus reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note (i))	*(Note (ii))*	
Balance at 1 January 2010, 31 December 2010 and 1 January 2011	19,610	60	19,670
Appropriation from retained earnings	–	503	503
Balance at 31 December 2011	19,610	563	20,173
Appropriation from retained earnings	–	2,154	2,154
Balance at 31 December 2012, 1 January 2013 and 30 April 2013	19,610	2,717	22,327

(i) It represented the excess of capital contributed by owner of the Target, CEC, over the registered capital of the Target.

(ii) It represents the statutory surplus reserve. All PRC incorporated companies within the Target Group are required each year to transfer 10% of the profit after tax as reported in the PRC statutory accounts to the statutory surplus reserve until the balance reaches 50% of the registered share capital. This reserve can be used to reduce any losses incurred or to increase capital. Except for the reduction due to losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

(iii) It represents the subsidy received from owner of the Target, CEC, to compensate for the construction costs incurred by CEC Beihai.

17. Borrowings

Target Group

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings				
– Secured *(Note (a))*	150,000	141,400	130,400	130,400
– Unsecured with guarantee *(Note (b))*	–	36,000	21,000	16,000
Borrowings from CEC Finance *(Note 28)*				
– Unsecured with guarantee *(Note (b))*	–	20,000	20,000	–
Less: current portion	(7,000)	(25,400)	(67,400)	(42,400)
	143,000	172,000	104,000	104,000

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in current liabilities:				
Bank borrowings				
– Unsecured with guarantee *(Note (b))*	100,000	100,000	–	–
Borrowings from CEC Finance *(Note 28)*				
– Secured *(Note (a))*	10,000	20,000	20,000	20,000
– Unsecured with guarantee *(Note (b))*	20,000	–	120,000	140,000
Borrowings from CEC Xi'an *(Note 28)*				
– Unsecured with guarantee *(Note (b))*	–	–	15,000	5,000
Current portion of non-current borrowings	7,000	25,400	67,400	42,400
	137,000	145,400	222,400	207,400
	280,000	317,400	326,400	311,400

(a) As at 31 December 2010, 2011 and 2012 and 30 April 2013, secured borrowings of the Target Group were secured by:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings and construction in progress *(Note 6)*	12,790	12,478	8,594	8,553
Investment properties *(Note 7)*	176,852	180,802	185,913	196,863
Land use rights held for self-use *(Note 8)*	1,221	1,196	1,696	1,291
Land use rights held for sale *(Note 12)*	1,197	897	4,335	652
	192,060	195,373	200,538	207,359

(b) These borrowings are guaranteed by:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CEC *(Note 28)*	120,000	120,000	140,000	140,000
The Target	–	36,000	36,000	21,000
	120,000	156,000	176,000	161,000

(c) The exposure of the borrowings with respect to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are 6 months or less.

The borrowings are repayable as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	137,000	145,400	222,400	207,400
Between 1 and 2 years	12,000	68,000	52,000	52,000
Between 2 and 5 years	131,000	104,000	52,000	52,000
	280,000	317,400	326,400	311,400

The weighted average effective interest rates were as follows:

	Year ended 31 December			Four months ended 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	5.63%	6.91%	6.43%	6.38%

Target

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Borrowings from CEC Finance				
– Unsecured with guarantee *(Note (b))*	–	20,000	20,000	–
Less: current portion	–	–	(20,000)	–
	–	20,000	–	–
Borrowings included in current liabilities:				
Bank borrowings				
– Unsecured with guarantee *(Note (b))*	100,000	100,000	–	–
Borrowings from CEC Finance				
– Secured *(Note (a))*	10,000	20,000	20,000	20,000
– Unsecured with guarantee *(Note (b))*	20,000	–	120,000	140,000
Current portion of non-current borrowings	–	–	20,000	–
	130,000	120,000	160,000	160,000
	130,000	140,000	160,000	160,000

(a) As at 31 December 2010, 2011 and 2012 and 30 April 2013, secured borrowings of the Target were secured by:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings *(Note 6)*	7,452	7,049	6,646	6,512
Investment properties *(Note 7)*	12,378	13,342	14,974	15,157
	19,830	20,391	21,620	21,669

(b) These borrowings are guaranteed by CEC.

(c) The exposure of the borrowings with respect to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are 6 months or less.

The borrowings are repayable as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	130,000	120,000	160,000	160,000
Between 1 and 2 years	–	20,000	–	–
	130,000	140,000	160,000	160,000

The weighted average effective interest rates were as follows:

	Year ended 31 December			Four months ended 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	5.46%	6.98%	5.33%	6.00%

The fair values of the borrowings approximate their carrying amounts. All the borrowings are denominated in RMB.

18. Deferred taxation

The analysis of deferred tax assets and liabilities is as follows:

Target Group

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– to be recovered within 12 months	1,605	14,292	24,346	24,254
– to be recovered after 12 months	61,148	48,611	18,909	16,845
	62,753	62,903	43,255	41,099
Deferred tax liabilities:				
– to be recovered after 12 months	(1,627)	(1,947)	(2,435)	(2,507)
Deferred tax assets – net	61,126	60,956	40,820	38,592

Target

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities:				
– to be recovered after 12 months	(1,627)	(1,947)	(2,435)	(2,507)

The net movements on the deferred tax account are as follows:

Target Group

	Year ended 31 December			Four months ended 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	44,094	61,126	60,956	40,820
Recognised in profit or loss *(Note 25)*	17,032	(170)	(20,136)	(2,228)
End of the year/period	61,126	60,956	40,820	38,592

Target

	Year ended 31 December			Four months ended 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	1,253	1,627	1,947	2,435
Recognised in profit or loss	374	320	488	72
End of the year/period	1,627	1,947	2,435	2,507

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax assets:

Target Group

	Government grants	Tax losses	Fair value of investment properties below the tax bases	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	41,156	–	4,191	–	45,347
Recognised in profit or loss	7,172	–	7,803	2,431	17,406
At 31 December 2010	48,328	–	11,994	2,431	62,753
Recognised in profit or loss	(3,085)	4,434	(933)	(266)	150
At 31 December 2011	45,243	4,434	11,061	2,165	62,903
Recognised in profit or loss	(9,606)	(4,434)	(5,326)	(282)	(19,648)
At 31 December 2012	35,637	–	5,735	1,883	43,255
Recognised in profit or loss	1,009	655	(3,738)	(82)	(2,156)
At 30 April 2013	36,646	655	1,997	1,801	41,099

Deferred tax liabilities:

Target Group and Target

	Fair value of investment property over the tax base
	RMB'000
At 1 January 2010	1,253
Recognised in profit or loss	374
At 31 December 2010	1,627
Recognised in profit or loss	320
At 31 December 2011	1,947
Recognised in profit or loss	488
At 31 December 2012	2,435
Recognised in profit or loss	72
At 30 April 2013	2,507

Deferred tax assets are recognised for tax loss carried forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Target Group did not recognise deferred tax assets in respect of losses amounting to RMB21,912,000, RMB37,332,000, RMB58,360,000 and RMB64,012,000 as at 31 December 2010, 2011 and 2012 and 30 April 2013 that can be carried forward against future taxable income, respectively. These tax losses will expire up to and including 2015, 2016 and 2017, respectively.

19. Advanced proceeds from customers

Advanced proceeds from customers mainly represent the proceeds from the sale of land use rights.

20. Trade and other payables

Target Group

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,450	1,199	904	1,781
Deposits from Guangxi Pufang *(Note (15))*	–	10,000	72,000	72,000
Amounts due to related parties	3,198	3,625	1,720	1,512
Subsidies payable *(Note (a))*	8,560	9,062	5,952	18
Construction costs payable	9,302	20,482	20,903	13,703
Other taxes payable	1,389	3,732	5,613	4,939
Salary payable	4,760	4,689	7,032	1,662
Other payables	3,402	2,040	8,270	7,553
	33,061	54,829	122,394	103,168

(a) It represented the portion of government subsidies payable to certain third parties according to the agreements between the Target Group and these third parties in connection with the sales of certain pieces of land use rights.

Target

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties	3,198	3,625	1,710	1,497
Other taxes payable	338	222	262	447
Salary payable	3,074	3,443	4,733	312
Other payables	1,934	1,903	2,121	1,758
	8,544	9,193	8,826	4,014

The fair values of trade and other payables, excluding other taxes payable and salary payable, approximate their carrying amounts and are denominated in RMB.

The ageing analysis of trade payables was as follows:

Target Group

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	2,213	343	–	1,619
Over 3 months and within 6 months	29	110	–	–
Over 6 months and within 1 year	51	536	279	–
Over 1 year and within 2 years	157	210	418	8
Over 2 years and within 3 years	–	–	207	154
	2,450	1,199	904	1,781

21. Expenses by nature

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Costs of land use rights sold	10,970	6,894	4,336	–	–
Costs of properties sold	25,312	–	–	–	–
Employee benefit expenses *(Note 23)*	10,825	10,199	11,535	2,769	2,249
Depreciation of property, plant and equipment *(Note 6)*	944	1,311	1,544	453	412
Amortisation of land use rights *(Note 8)*	26	25	26	9	11
Business taxes and other levies	3,174	3,569	3,888	541	196
Entertainment expense	1,587	2,882	3,352	1,101	938
Professional and consulting fees	140	705	2,635	295	1,532
Marketing and travelling expenses	2,402	2,903	1,406	419	319
Utilities and office supplies	2,135	1,752	2,433	652	112
Property management fee	1,180	1,444	2,491	347	884
Rental expense	308	246	123	22	72
Others	5,545	4,926	4,313	1,174	1,530
Total cost of sales, selling and marketing costs and administrative expenses	64,548	36,856	38,082	7,782	8,255

22. Other gains/(losses) – net

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Fair value gains/(losses) on investment properties *(Note 7)*	10,240	(2,530)	58,738	4,971	14,250
Fair value gain on the land use rights transferred to Guangxi Future Land as capital injection *(Note (a))*	–	–	40,338	–	–
Losses on disposals of property, plant and equipment	–	(326)	(63)	–	–
Government grants	50	200	–	–	–
Others	638	(43)	55	(70)	(99)
	10,928	(2,699)	99,068	4,901	14,151

(a) It represents the realisation of the fair value gain on the land use rights, which was injected as capital contribution by CEC Beihai to Guangxi Future Land *(Note 10)*.

23. Employee benefit expenses

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonus	8,804	7,672	8,787	2,127	1,398
Pension costs	460	570	613	163	225
Others	1,561	1,957	2,135	479	626
	10,825	10,199	11,535	2,769	2,249

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Target for the year ended 31 December 2010 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Nie Yuchun (i)	–	–	–	–	–
Mr. Su Duan (ii)	100	319	12	15	446
Mr. Xie Qinghua (v)	240	638	28	165	1,071
Mr. Zhong Jimin	–	–	–	–	–
Mr. Li Xiaochun (i)	–	–	–	–	–
Mr. Wu Lieping	–	–	–	–	–
	340	957	40	180	1,517

The remuneration of every director and the chief executive of the Target for the year ended 31 December 2011 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Duan	240	529	30	42	841
Mr. Xie Qinghua (v)	240	368	30	45	684
Mr. Zhong Jimin	–	–	–	–	–
Mr. Chen Jianshi (iv)	–	–	–	–	–
Mr. Huang Mingyan (iv)	–	–	–	–	–
Mr. Wu Lieping (iii)	–	–	–	–	–
	480	898	60	87	1,525

The remuneration of every director and the chief executive of the Target for the year ended 31 December 2012 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Duan	121	397	16	23	557
Mr. Xie Qinghua (v)	162	551	22	29	764
Mr. Zhong Jimin	–	–	–	–	–
Mr. Chen Jianshi	–	–	–	–	–
Mr. Huang Mingyan	–	–	–	–	–
	283	948	38	52	1,321

The remuneration of every director and the chief executive of the Target for the four months ended 30 April 2012 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Duan	83	–	10	14	107
Mr. Xie Qinghua (v)	83	–	10	14	107
Mr. Zhong Jimin	–	–	–	–	–
Mr. Chen Jianshi	–	–	–	–	–
Mr. Huang Mingyan	–	–	–	–	–
	166	–	20	28	214

The remuneration of every director and the chief executive of the Target for the four months ended 30 April 2013 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Duan	–	–	–	–	–
Mr. Xie Qinghua (v)	–	–	–	–	–
Mr. Zhong Jimin	–	–	–	–	–
Mr. Chen Jianshi	–	–	–	–	–
Mr. Huang Mingyan	–	–	–	–	–
	–	–	–	–	–

(i) During the year ended 31 December 2010, Mr. Nie Yuchun and Mr. Li Xiaochun resigned from their position as directors.

(ii) During the year ended 31 December 2010, Mr. Su Duan was appointed as director.

(iii) During the year ended 31 December 2011, Mr. Wu Lieping resigned from his position as director.

(iv) During the year ended 31 December 2011, Mr. Chen Jianshi and Mr. Huang Mingyan were appointed as directors.

(v) During the year ended 31 December 2010, 2011 and 2012, Mr. Xie Qinghua was appointed as director as well as the chief executive of the Target.

Except for Mr. Su Duan and Mr. Xie Qinghua, the other directors of the Target received emoluments from CEC during the year ended 31 December 2010, 2011 and 2012 for their services provided to the Target Group. During the four months ended 30 April 2013, all the director of the Target received emoluments from CEC for their services provided to the Target Group.

No directors received any emoluments from the Target Group as an inducement to join or leave the Target Group or compensation for loss of office during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2012 and 2013 included two, two, two, two and no directors respectively. The emoluments paid and payable to the remaining three, three, three, three and five individuals for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2012 and 2013 are as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and benefits in kind	1,988	1,863	2,222	205	314
Pensions	64	70	65	23	46
Others	212	101	86	39	75
	2,264	2,034	2,373	267	435

Their emoluments fell within the following band:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
				(Unaudited)	
Nil – HKD1,000,000	2	3	1	3	5
HKD1,000,001 – HKD2,000,000	1	–	2	–	–

24. Finance costs – net

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Finance costs:					
– Interest expense on borrowings	15,719	19,616	22,106	6,672	5,943
Less: Amounts capitalised on investment properties *(Note 7)*	(12,526)	(13,634)	(5,384)	(1,408)	–
Less: Amounts capitalised on construction in progress *(Note 6)*	(389)	(9)	–	–	–
Less: Amounts capitalised on properties under development	(1,475)	–	–	–	–
	1,329	5,973	16,722	5,264	5,943
Finance income:					
– Interest income on deposits	(120)	(1,381)	(106)	(27)	(71)
– Interest income on long-term receivables	(780)	(1,888)	(1,904)	(635)	(575)
	(900)	(3,269)	(2,010)	(662)	(646)
Finance costs – net	429	2,704	14,712	4,602	5,297

The capitalisation rate applied to funds borrowed generally and used for the qualifying assets was approximately 5.37%, 6.51% and 6.63% per annum for each of the years ended 31 December 2010, 2011 and 2012, respectively.

25. Taxation

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax:					
– PRC corporate income tax	2,405	–	1,217	–	–
– PRC land appreciation tax	8,186	5,984	3,236	–	–
	10,591	5,984	4,453	–	–
Deferred tax:					
– PRC corporate income tax	(17,032)	170	20,136	(179)	2,228
	(6,441)	6,154	24,589	(179)	2,228

The tax on the Target Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the PRC statutory tax rate as follows:

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/profit before taxation	(21,604)	244	87,195	(4,841)	(7,904)
Add: share of loss/(profit) of a jointly controlled entity	–	–	858	–	(3)
Add: share of loss/(profit) of associates	1,776	(27,152)	(32,764)	(1,641)	9,493
	(19,828)	(26,908)	55,289	(6,482)	1,586
Tax calculated at PRC corporate income tax rate of 25%	(4,957)	(6,727)	13,822	(1,621)	397
Expenses not deductible for tax	5,650	4,538	3,083	501	418
Tax losses for which no deferred tax assets were recognised	2,959	3,855	5,257	941	1,413
Income tax refund	(16,232)	–	–	–	–
PRC land appreciation tax deductible for PRC corporate income tax purpose	(2,047)	(1,496)	(809)	–	–
	(14,627)	170	21,353	(179)	2,228
PRC land appreciation tax	8,186	5,984	3,236	–	–
Taxation	(6,441)	6,154	24,589	(179)	2,228

(a) PRC Corporate Income Tax

PRC Corporate Income Tax ("CIT") is provided on the assessable income of the Target Group's entities incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC.

The Target and its subsidiaries are subject to CIT at a rate of 25% during the Relevant Periods.

(b) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of land use rights less deductible expenditures including cost of land use rights and all property development expenditures.

26. Cash generated from/(used in) operations

	Year ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/profit before taxation	(21,604)	244	87,195	(4,841)	(7,904)
Adjustments for:					
Depreciation of property, plant and equipment *(Note 6)*	944	1,311	1,544	453	412
Amortisation of land use rights *(Note 8)*	26	25	26	9	11
Losses on disposals of property, plant and equipment *(Note 22)*	–	326	63	–	–
Fair value (gains)/losses on investment properties *(Note 22)*	(10,240)	2,530	(58,738)	(4,971)	(14,250)
Finance income *(Note 24)*	(900)	(3,269)	(2,010)	(662)	(646)
Finance costs *(Note 24)*	1,329	5,973	16,722	5,264	5,943
Share of loss/(profit) of a jointly controlled entity *(Note 10)*	–	–	858	–	(3)
Share of loss/(profit) of associates *(Note 11)*	1,776	(27,152)	(32,764)	(1,641)	9,493

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Changes in working capital:					
Decrease/(increase) in land use rights held for sale and completed properties held for sale	39,349	(235)	(42,960)	–	3,683
Decrease/(increase) in trade and other receivables	15,641	(14,205)	(13,613)	(2,296)	(15,232)
Increase/(decrease) in advanced proceeds from customers	2,367	14,332	(4,691)	334	3,554
Increase/(decrease) in trade and other payables	9,907	11,768	5,565	1,170	(19,226)
Cash generated from/(used in) operations	38,595	(8,352)	(42,803)	(7,181)	(34,165)

In the statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net book amount *(Note 6)*	6	753	136	–	–
Losses on disposals *(Note 22)*	–	(326)	(63)	–	–
Proceeds from disposals	6	427	73	–	–

Non-cash transactions:

The major non-cash transactions represent the injection of a piece of land use rights by CEC Beihai as capital contribution to Guangxi Future Land *(Note 10)*.

27. Commitments

(a) Commitments for capital and property development expenditures

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	12,586	9,072	5,733	–

(b) Operating lease commitments – where the Target Group and the Target are the lessors

Target Group

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the Target Group has future aggregate minimum lease receivable under non-cancellable operating leases in respect of investment properties, details of which are as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	2,900	3,040	2,389	2,716
Later than one year and not later than five years	9,168	9,157	8,934	8,216
Later than five years	28,502	26,052	24,110	23,463
	40,570	38,249	35,433	34,395

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the Target Group leases investment properties under various agreements which terminate between 2012 and 2030, 2012 and 2030, 2013 and 2030, and 2013 and 2030, respectively.

Target

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the Target has future aggregate minimum lease receivable under non-cancellable operating leases in respect of investment property, details of which are as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	494	670	–	327
Later than one year and not later than five years	–	359	584	–
	494	1,029	584	327

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the Target leases investment properties under various agreements which terminate in 2011, between 2012 and 2013, in 2013 and in 2013 respectively.

28. Related party transactions and balances

Apart from those transactions and balances disclosed in other notes, the Target Group has the following significant transactions in the ordinary course of business with its related parties during the Relevant Periods:

(a) Name and relationship with related parties

Name of the related parties	Relationship with the Target
CEC	Parent company
CEC Finance (中國電子財務有限責任公司)	Under common control of CEC
CEC Rida Property Management Co., Ltd (北京中電瑞達物業有限公司, "CEC Rida")	Under common control of CEC
China Electronic Systems Engineering Corporation Limited (中國電子系統工程總公司)	Under common control of CEC
China National Software & Service Co., Ltd (中國軟件與技術服務股份有限公司)	Under common control of CEC
Great Wall Computer Software & System Inc (長城電腦軟件與系統有限公司)	Under common control of CEC
Hainan RSC	Associate of the Target
CEC Xi'an	Associate of the Target
Guangxi Future Land	Jointly controlled entity of CEC Beihai

(b) Transactions with related parties

	Year ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Consulting service income:					
CEC Xi'an	–	1,050	–	–	–
Borrowings:					
Addition of borrowing from CEC Finance	40,000	40,000	150,000	10,000	20,000
Repayment of borrowing to CEC Finance	(10,000)	(30,000)	(30,000)	(10,000)	(20,000)
Addition of borrowing from CEC Xi'an	–	–	15,000	–	–
Repayment of borrowing to CEC Xi'an	–	–	–	–	(10,000)
Interest income on deposits:					
CEC Finance	67	80	38	13	13
Interest expense on borrowings:					
CEC Finance	1,738	3,851	3,922	674	2,501
CEC Xi'an	–	–	486	–	115
Guarantee fees on borrowings:					
CEC	1,853	1,073	151	–	–
Property management service fees:					
CEC Rida	–	–	–	–	575

(c) *Balances with related parties*

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits:				
CEC Finance *(Note 14)*	20,691	19,130	4,015	2,755
Trade and other receivables:				
Hainan RSC	5,000	–	16,000	–
Guangxi Future Land	–	–	1,050	22,050
China Electronic Systems Engineering Corporation Limited	410	365	897	897
CEC Xi'an	100	100	255	337
Others	472	297	306	350
	5,982	762	18,508	23,634
Trade and other payables:				
China Electronic Systems Engineering Corporation Limited	2,645	2,510	679	459
China National Software & Service Co., Ltd	510	510	510	510
Hainan RSC	–	505	459	459
Others	43	100	72	84
	3,198	3,625	1,720	1,512
Advanced proceeds from customers:				
CEC Xi'an	1,050	–	–	–
Borrowings included in current liabilities:				
CEC Finance *(Note 17)*	30,000	20,000	160,000	160,000
CEC Xi'an *(Note 17)*	–	–	15,000	5,000
Borrowings included in non-current liabilities:				
CEC Finance *(Note 17)*	–	20,000	–	–

The borrowings from CEC Finance bear weighted average interest rate of 5.80%, 5.76%, 6.21% and 6.00% for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013, respectively. The weighted average interest rate of the deposits held at CEC Finance is 0.3% for each of the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013.

The borrowings from CEC Xi'an represent an entrusted loan to CEC Beihai through CEC Finance, which is unsecured and repayable within one year. The loan bears an interest rate at 6.31% per annum, and is guaranteed by the Target.

The above trade and other receivables and payables are unsecured, interest-free and repayable on demand.

(d) Borrowings guaranteed by CEC

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	120,000	120,000	140,000	140,000

(e) Guarantee for borrowings provided to an associate

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CEC Xi'an	–	5,000	5,000	5,000

The carrying amounts of these balances represent the Target's maximum exposure in relation to such guarantee.

(f) Transactions with government related entities

The Target Group is a state-owned enterprise ultimately controlled by the PRC government. The transactions between the Target Group and other PRC government controlled entities are related party transactions. These transactions mainly include depositing cash in and obtain borrowings from certain state-owned banks.

(g) Key management compensation

	Year ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and benefits in kind	3,285	3,241	3,453	371	140
Pensions	104	130	103	43	14
Others	392	188	138	67	28
	3,781	3,559	3,694	481	182

29. Subsequent events

On 24 April 2013 and 31 July 2013, the Target entered into an equity transfer agreement with China National Software & Service Co., Ltd ("ChinaSoft") and The 6th Research Institute of China Electronics Corporation Limited ("6th Research Institute"), respectively. Pursuant to the above equity transfer agreements, the Target has agreed to acquire 12.99% equity interest in CEC Xi'an held by ChinaSoft at a consideration of RMB18 million, and 25.97% equity interest in CEC Xi'an held by 6th Research Institute at a consideration of RMB36 million. Pursuant to an announcement published by ChinaSoft on 15 August 2013, the acquisition of the 12.99% equity interest in CEC Xi'an has been completed.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target or its subsidiaries in respect of any period subsequent to 30 April 2013 up to the date of this report. No dividend or distribution has been declared or made by the Target or any of its subsidiaries in respect of any period subsequent to 30 April 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc

羅兵咸永道

28 August 2013

The Directors
China Electronics Corporation Holdings Company Limited

Dear Sirs,

We report on the financial information (the "Financial Information") of China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司, "CEC Xi'an"), which comprises the balance sheets of CEC Xi'an as at 31 December 2010, 2011 and 2012 and 30 April 2013, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of CEC Xi'an for the period from 12 November 2010 (date of establishment) to 31 December 2010, each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2013 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of China Electronics Corporation Holdings Company Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix IIIB to the circular of the Company dated 28 August 2013 (the "Circular") in connection with the proposed acquisition of China Electronics Technology Development Company Limited (中國電子科技開發有限公司, "CEC Technology") by the Company (the "Acquisition").

CEC Xi'an was incorporated in the People's Republic of China (the "PRC") on 12 November 2010 as a company with limited liability under the Companies Law of the PRC.

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The directors of CEC Xi'an for the Relevant Periods are responsible for the preparation of the financial statements of CEC Xi'an that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2012.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of CEC Xi'an as at 31 December 2010, 2011 and 2012 and 30 April 2013 and of CEC Xi'an's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix IIIB to the circular which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of CEC Xi'an for the four months ended 30 April 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and fair presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2012.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the Financial Information of CEC Xi'an prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and 30 April 2013 and for the period from 12 November 2010 (date of establishment) to 31 December 2010, each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2012 and 2013.

Balance Sheets

		As at 31 December			As at 30 April
		2010	2011	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	96	1,971	3,085	7,180
Deferred tax assets	*7*	90	1,533	3,114	3,827
		186	3,504	6,199	11,007
Current assets					
Properties under development	*8*	–	3,363	31,147	33,679
Other receivables and prepayments	*9*	1,715	5,344	38,427	34,775
Cash and cash equivalents	*10*	28,946	93,285	22,669	16,659
		30,661	101,992	92,243	85,113
Total assets		30,847	105,496	98,442	96,120
EQUITY AND LIABILITIES					
Equity					
Paid-in capital	*11*	31,050	104,100	104,100	104,100
Accumulated losses		(273)	(6,854)	(12,569)	(14,868)
Total equity		30,777	97,246	91,531	89,232
Liabilities					
Non-current liabilities					
Borrowings	*12*	–	4,254	4,487	4,570
Current liabilities					
Other payables	*13*	70	3,996	2,424	2,318
Total liabilities		70	8,250	6,911	6,888
Total equity and liabilities		30,847	105,496	98,442	96,120
Net current assets		30,591	97,996	89,819	82,795
Total assets less current liabilities		30,777	101,500	96,018	93,802

Statements of Comprehensive Income

		Period from 12 November 2010 to 31 December	Year ended 31 December		Four months ended 30 April	
		2010	2011	2012	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Other gains – net		–	229	246	77	–
Selling and marketing costs	*14*	–	(931)	(1,422)	(476)	(397)
Administrative expenses	*14*	(376)	(7,470)	(7,013)	(2,102)	(2,794)
Operating loss		(376)	(8,172)	(8,189)	(2,501)	(3,191)
Finance income – net	*16*	13	148	893	128	179
Loss before taxation		(363)	(8,024)	(7,296)	(2,373)	(3,012)
Taxation	*17*	90	1,443	1,581	525	713
Loss for the period/year		(273)	(6,581)	(5,715)	(1,848)	(2,299)
Total comprehensive loss for the period/year		(273)	(6,581)	(5,715)	(1,848)	(2,299)
Loss attributable to owners of CEC Xi'an		(273)	(6,581)	(5,715)	(1,848)	(2,299)
Total comprehensive loss attributable to owners of CEC Xi'an		(273)	(6,581)	(5,715)	(1,848)	(2,299)

Statements of Changes in Equity

		Total equity	
	Paid-in capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Note 11)		
Balance at 12 November 2010	–	–	–
Loss and total comprehensive loss for the period	–	(273)	(273)
Total contributions by owners of CEC Xi'an recognised directly in equity:			
Capital injection	31,050	–	31,050
Balance at 31 December 2010	31,050	(273)	30,777
Balance at 1 January 2011	31,050	(273)	30,777
Loss and total comprehensive loss for the year	–	(6,581)	(6,581)
Total contributions by owners of CEC Xi'an recognised directly in equity:			
Capital injection	73,050	–	73,050
Balance at 31 December 2011	104,100	(6,854)	97,246
Balance at 1 January 2012	104,100	(6,854)	97,246
Loss and total comprehensive loss for the year	–	(5,715)	(5,715)
Balance at 31 December 2012	104,100	(12,569)	91,531
Balance at 1 January 2013	104,100	(12,569)	91,531
Loss and total comprehensive loss for the period	–	(2,299)	(2,299)
Balance at 30 April 2013	104,100	(14,868)	89,232
(Unaudited)			
Balance at 1 January 2012	104,100	(6,854)	97,246
Loss and total comprehensive loss for the period	–	(1,848)	(1,848)
Balance at 30 April 2012	104,100	(8,702)	95,398

Statements of Cash Flows

	Note	Period from 12 November 2010 to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Four months ended 30 April 2012	Four months ended 30 April 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities						
Cash used in operations	*18*	(2,018)	(11,684)	(69,889)	(3,410)	(1,790)
Interest paid		–	–	(50)	–	–
Net cash used in operating activities		(2,018)	(11,684)	(69,939)	(3,410)	(1,790)
Cash flows from investing activities						
Purchase of property, plant and equipment		(99)	(2,175)	(2,620)	(2)	(4,399)
Proceeds from government grants		–	–	1,050	–	–
Interest received		13	148	893	128	179
Net cash (used in)/generated from investing activities		(86)	(2,027)	(677)	126	(4,220)
Cash flows from financing activities						
Capital contribution from owners of CEC Xi'an		31,050	73,050	–	–	–
Proceeds from borrowings		–	5,000	–	–	–
Net cash generated from financing activities		31,050	78,050	–	–	–
Net increase/(decrease) in cash and cash equivalents		28,946	64,339	(70,616)	(3,284)	(6,010)
Cash and cash equivalents at beginning of the period/year		–	28,946	93,285	93,285	22,669
Cash and cash equivalents at end of the period/year	*10*	28,946	93,285	22,669	90,001	16,659

II. NOTES TO FINANCIAL INFORMATION

1. General information

China Electronics Xi'an Industrial Park Development Co., Ltd（中國電子西安產業園發展有限公司）("CEC Xi'an") is principally engaged in the development and management of electronic information technology industrial parks in the PRC.

CEC Xi'an is a limited liability company incorporated in the PRC on 12 November 2010. The address of its registered office is 405A Kairui Xi'an Export Processing Zone Fengcheng Road 12, Xi'an. The owners of CEC Xi'an were initially China Electronics Technology Development Company Limited (中國電子科技開發有限公司, "CEC Technology"), The 6th Research Institute of China Electronics Corporation Limited (中國電子信息產業集團有限公司第六研究所, "6th Research Institute"), China National Software & Service Co., Ltd (中國軟件與技術服務股份有限公司, "ChinaSoft"), Xi'an City Construction Investment Management Co., Ltd（西安經開城市投資建設管理有限責任公司）and Mr. Han Lin, which held 27.27%, 25.97%, 12.99%, 23.38% and 10.39% equity interest in CEC Xi'an, respectively. On 24 April 2013 and 31 July 2013, CEC Technology entered into an equity transfer agreement with ChinaSoft and 6th Research Institute, respectively. Pursuant to the above equity transfer agreements, CEC Technology has agreed to acquire 12.99% equity interest in CEC Xi'an held by ChinaSoft and 25.97% equity interest in CEC Xi'an held by 6th Research Institute.

As of the date of this report, the acquisition of 12.99% equity interest in CEC Xi'an held by ChinaSoft has been completed. Upon completion of the acquisition of 25.97% equity interest in CEC Xi'an held by 6th Research Institute, CEC Xi'an will be held by CEC Technology as to 66.23% and become a subsidiary of CEC Technology. The ultimate parent company of CEC Xi'an is China Electronics Corporation Limited ("CEC").

The financial information of CEC Xi'an (the "Financial Information") is presented in the units of Renminbi ("RMB") thousand Yuan, unless otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and under the historical cost convention.

The preparation of Financial Information in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CEC Xi'an's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

(a) New and amendment to standards and interpretations

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2013, are consistently applied to CEC Xi'an for the Relevant Periods.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted by CEC Xi'an.

- Amendment to HKAS 32 "Financial instruments: Presentation" on asset and liability offsetting, these amendments are made to the application guidance in HKAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is effective for annual periods beginning on or after 1 January 2014.

- HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This new standard is effective for annual periods beginning on or after 1 January 2015.

- Amendments to HKFRS 9 and HKFRS 7, Mandatory Effective Date and Transition Disclosures, which amends the effective date of HKFRS 9 "Financial Instruments" to annual periods beginning on or after 1 January 2015 and also modifies the relief from restating comparative periods and the associated disclosures in HKFRS 7 "Financial Instruments: Disclosures".

CEC Xi'an is in the process of making an assessment of the impact of the above standards and amendments to standards on the financial statements of CEC Xi'an in their initial applications.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of CEC Xi'an are measured using the currency of the primary economic environment in which CEC Xi'an operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is CEC Xi'an's functional currency and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CEC Xi'an and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Electronics equipment	5 years
Motor vehicles	5 years
Office equipment and others	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.5)*.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the statements of comprehensive income.

Construction in progress represents the direct costs of construction incurred in property less any impairment losses. No provision for depreciation is made on construction in progress until such time that the relevant assets are completed and available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered from impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets

(a) Classification

CEC Xi'an classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. CEC Xi'an's loans and receivables comprise "other receivables" and "cash and cash equivalents" in the balance sheets.

(b) Recognition and measurement

Regular purchases and sales of investments are recognised on trade-date – the date on which CEC Xi'an commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and CEC Xi'an has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

2.7 Impairment of financial assets carried at amortised cost

CEC Xi'an assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, CEC Xi'an may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.8 Land use rights

CEC Xi'an made upfront payments to obtain operating leases of land use rights. If the land use rights are held for development and subsequent sales, the upfront payments are recorded as part of the cost of properties under development *(Note 2.9)*.

2.9 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction of the relevant property development project is expected to complete beyond normal operating cycle.

2.10 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Paid-in capital

Paid-in capital is classified as equity.

2.12 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless CEC Xi'an has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.15 Current and deferred taxation

The taxation expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where CEC Xi'an operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

CEC Xi'an participates in employee benefit plans, including pension, medical and other welfare benefits, organised by the government authorities in accordance with relevant regulations. Except for the above social security benefits, CEC Xi'an has no other material commitment to other employee welfare benefits. According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees, subject to certain ceiling. Contributions to the plans are expensed as incurred.

2.17 Interest income

Interest income is recognised on a time-proportion using the effective interest method. When a loan and receivable is impaired, CEC Xi'an reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and CEC Xi'an will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment and properties under development are deducted from their respective carrying amounts.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

3. Financial risk management

3.1 Financial risk factors

CEC Xi'an conducts its operations in the PRC and its activities expose it to a variety of financial risks: market risk (mainly interest rate risk), credit risk and liquidity risk. CEC Xi'an's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on CEC Xi'an's financial performance.

(a) Market risk

(i) Cash flow interest rate risk

Other than deposits held in banks, CEC Xi'an does not have significant interest-bearing assets. Fluctuation of market rates does not have a significant impact to CEC Xi'an's performance.

CEC Xi'an only has borrowing amounting to RMB5,000,000, bearing a fixed interest rate of 1%. The directors of CEC Xi'an consider the exposure to changes in interest rates is not significant.

(b) Credit risk

The credit risk of CEC Xi'an mainly arises from cash and cash equivalents and other receivables. The carrying amounts of these balances represent CEC Xi'an's maximum exposure to credit risk in relation to these financial assets.

As at the balance sheet dates, all CEC Xi'an's deposits are mainly placed in state-owned financial institutions in the PRC. The directors of CEC Xi'an believes these financial institutions are of high credit quality and do not expect any losses arising from non-performance by these counterparties.

For other receivables, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of the credit quality. Based on the results of assessment of the credit quality of the counterparties, the directors of CEC Xi'an are of the opinion that the risk of default by these counterparties is not significant.

(c) Liquidity risk

CEC Xi'an's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of CEC Xi'an's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. CEC Xi'an expected to fund the future cash flow needs through internally generated cash flows from operations and committed credit facility.

The table below analyses CEC Xi'an's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010	–	–	–	–
At 31 December 2011				
Principal of borrowings	–	–	5,000	5,000
Interest of borrowings	50	50	50	150
Other payables (excluding other taxes payable and salary payable)	3,295	–	–	3,295
	3,345	50	5,050	8,445
At 31 December 2012				
Principal of borrowings	–	5,000	–	5,000
Interest of borrowings	50	50	–	100
Other payables (excluding other taxes payable and salary payable)	1,251	–	–	1,251
	1,301	5,050	–	6,351
At 30 April 2013				
Principal of borrowings	–	5,000	–	5,000
Interest of borrowings	50	50	–	100
Other payables (excluding other taxes payable and salary payable)	1,568	–	–	1,568
	1,618	5,050	–	6,668

3.2 Capital risk management

CEC Xi'an's objectives when managing capital are to safeguard CEC Xi'an's ability to continue as a going concern in order to provide returns for its owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

CEC Xi'an monitors capital risk by regularly reviewing the capital structure. As a part of this review, the directors of CEC Xi'an consider the cost of capital and the risks associated with the paid-in capital. To manage capital risk, CEC Xi'an may adjust the amount of dividends paid to its owners or return capital to its owners.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the Financial Information are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. CEC Xi'an makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Estimates for net realisable value of properties under development

As at 30 April 2013, the carrying amounts of properties under development are RMB33,679,000. CEC Xi'an assesses the carrying amounts of properties under development according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Based on management's best estimates, there is no impairment for properties under development at 30 April 2013.

5. Segment information

The chief operating decision-maker has been identified as the board of directors of CEC Xi'an. The board of directors reviews CEC Xi'an's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The directors of CEC Xi'an consider that CEC Xi'an's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

CEC Xi'an's non-current assets other than deferred tax assets are located in the PRC.

6. Property, plant and equipment

	Electronics equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Period ended 31 December 2010					
Opening net book amount	–	–	–	–	–
Additions	–	–	99	–	99
Depreciation	–	–	(3)	–	(3)
Closing net book amount	–	–	96	–	96
At 31 December 2010					
Cost	–	–	99	–	99
Accumulated depreciation	–	–	(3)	–	(3)
Net book amount	–	–	96	–	96
Year ended 31 December 2011					
Opening net book amount	–	–	96	–	96
Additions	–	1,969	206	–	2,175
Depreciation	–	(249)	(51)	–	(300)
Closing net book amount	–	1,720	251	–	1,971
At 31 December 2011					
Cost	–	1,969	305	–	2,274
Accumulated depreciation	–	(249)	(54)	–	(303)
Net book amount	–	1,720	251	–	1,971
Year ended 31 December 2012					
Opening net book amount	–	1,720	251	–	1,971
Additions	–	–	180	2,440	2,620
Government grants received	–	–	–	(1,050)	(1,050)
Depreciation	–	(374)	(82)	–	(456)
Closing net book amount	–	1,346	349	1,390	3,085
At 31 December 2012					
Cost	–	1,969	485	1,390	3,844
Accumulated depreciation	–	(623)	(136)	–	(759)
Net book amount	–	1,346	349	1,390	3,085

	Electronics equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 April 2013					
Opening net book amount	–	1,346	349	1,390	3,085
Additions	2,880	–	1,333	186	4,399
Depreciation	(141)	(125)	(38)	–	(304)
Closing net book amount	2,739	1,221	1,644	1,576	7,180
At 30 April 2013					
Cost	2,880	1,969	1,818	1,576	8,243
Accumulated depreciation	(141)	(748)	(174)	–	(1,063)
Net book amount	2,739	1,221	1,644	1,576	7,180

Depreciation charge was expensed in administrative expenses in the statements of comprehensive income.

7. Deferred taxation

The analysis of deferred tax assets is as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– to be recovered after 12 months	90	1,533	3,114	3,827

The net movements on the deferred tax account are as follows:

	Period from 12 November 2010 to 31 December 2010	Year ended 31 December 2011	2012	Four months ended 30 April 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the period/year	–	90	1,533	3,114
Recognised in profit or loss *(Note 17)*	90	1,443	1,581	713
End of the period/year	90	1,533	3,114	3,827

Movement in deferred tax assets is as follows:

	Government grants	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 12 November 2010	–	–	–
Recognised in profit or loss	–	90	90
At 31 December 2010	–	90	90
Recognised in profit or loss	744	699	1,443
At 31 December 2011	744	789	1,533
Recognised in profit or loss	2,287	(706)	1,581
At 31 December 2012	3,031	83	3,114
Recognised in profit or loss	–	713	713
At 30 April 2013	3,031	796	3,827

Deferred tax assets are recognised for tax loss carried forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. CEC Xi'an recognises deferred tax assets in respect of all losses as the directors consider it is probable that CEC Xi'an will generate sufficient taxable profits in future.

8. Properties under development

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within the normal operating cycle included under current assets:				
– to be realised after one year	–	3,363	31,147	33,679
Amounts comprise:				
– Construction costs	–	7,084	11,157	13,590
Less: government grant received	–	(3,721)	(11,157)	(11,157)
	–	3,363	–	2,433
– Cost of land use rights	–	–	31,528	31,528
Less: government grant received	–	–	(664)	(664)
	–	–	30,864	30,864
– Interest capitalised	–	–	283	382
	–	3,363	31,147	33,679

The carrying value of the land use rights included in properties under development is analysed as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong and in the PRC, held on:				
– Leases of between 10 to 50 years	–	–	30,864	30,864

9. Other receivables and prepayments

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land auction deposits	–	5,000	–	–
Prepayments for land use rights *(Note (a))*	–	–	21,115	21,115
Entrusted loan to China Electronics Beihai Industrial Park Development Co., Ltd ("CEC Beihai") *(Note (b))*	–	–	15,000	5,000
Amount due from Guangxi CEC Future Investment Land Co., Ltd ("Guangxi Future Land") *(Note (c))*	–	–	–	8,000
Other receivables	50	155	199	404
Other prepayments	1,665	189	2,113	256
	1,715	5,344	38,427	34,775

(a) Prepayments for land are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant ownership certificates have not been obtained at 30 April 2013. After consultation made with the legal counsel, management considers that there is no legal restriction for CEC Xi'an to apply for and obtain the ownership certificates of these land use rights.

(b) In 2012, CEC Xi'an lent RMB15,000,000 loan to CEC Beihai, a related party, through China Electronics Financial Co., Ltd ("CEC Finance") (the "Entrusted Loan"). The Entrusted Loan is unsecured and guaranteed by CEC Technology; it is repayable within one year and bears an interest rate at 6.31% per annum.

(c) Amount due from Guangxi Future Land is unsecured, interest-free and repayable within 15 days.

As at 31 December 2010, 2011 and 2012 and 30 April 2013, the fair values of other receivables approximate their carrying amounts due to their short maturities.

10. Cash and cash equivalents

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents:				
– At bank and on hand	28,946	27,540	8,743	6,784
– At CEC Finance *(Note 20)*	–	65,745	13,926	9,875
	28,946	93,285	22,669	16,659

The weighted average interest rate of the deposits held at CEC Finance is 0.3% per annum for each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2013.

The fair values of cash and cash equivalents approximate their carrying amounts. All cash and cash equivalents are denominated in RMB.

11. Paid-in capital

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	31,050	104,100	104,100	104,100

12. Borrowings

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
– Unsecured with guarantee *(Note (a))*	–	4,254	4,487	4,570

(a) The principal of the borrowings is RMB5,000,000, which were lent by a government controlled entity and are guaranteed by CEC Technology. The borrowings are repayable within 3 years and bear interest at 1% per annum.

The fair value of non-current borrowings is analysed as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current borrowings	–	4,254	4,529	4,620

The fair value of non-current borrowings is based on cash flows discounted using interest rates based on the prevailing borrowing rates of 6.65%, 6.15% and 6.15% promulgated by the People's Bank of China as at 31 December 2011 and 2012 and 30 April 2013, respectively.

The effective interest rate of the non-current borrowings was 6.65% as at 31 December 2011 and 2012 and 30 April 2013.

The difference between the RMB5,000,000 of principal of the borrowings and the RMB4,254,000 of initial fair value of the borrowings was deemed as government subsidy and was deducted from the related costs of properties under development.

13. Other payables

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits from construction suppliers	–	3,000	–	–
Other taxes payable	–	49	9	6
Salary payable	70	652	1,164	744
Other payables	–	295	1,251	1,568
	70	3,996	2,424	2,318

The fair values of other payables, excluding other taxes payable and salary payable, approximate their carrying amounts due to their short maturities.

14. Expenses by nature

	Period from 12 November 2010 to 31 December 2010	Year ended 31 December 2011	2012	Four months ended 30 April 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee benefit expenses *(Note 15)*	72	2,615	2,718	696	965
Depreciation of property, plant and equipment *(Note 6)*	3	300	456	149	304
Conference and entertainment expenses	64	2,221	2,383	474	250
Business taxes and other levies	16	60	29	–	–
Professional and consulting fees	–	369	82	82	32
Marketing and travelling expenses	39	1,376	1,018	326	371
Utilities and office supplies	116	746	617	314	119
Property management fee	38	62	178	21	46
Rental expense	7	31	371	402	539
Others	21	621	583	114	565
Total selling and marketing costs and administrative expenses	376	8,401	8,435	2,578	3,191

15. Employee benefit expenses

	Period from 12 November 2010 to 31 December 2010	Year ended 31 December 2011	2012	Four months ended 30 April 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonus	72	2,142	2,183	460	837
Pension costs	–	145	153	24	57
Others	–	328	382	212	71
	72	2,615	2,718	696	965

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of CEC Xi'an for the period from 12 November 2010 to 31 December 2010 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Duan	–	–	–	–	–
Mr. Duan Yonghe	–	–	–	–	–
Mr. Lin Jianwen	–	–	–	–	–
Mr. Guo Xianchen	–	–	–	–	–
Mr. Xu Xinguo	–	–	–	–	–
Mr. Zhou Jinjun	–	–	–	–	–
Mr. Han Lin (i)	12	–	–	2	14
	12	–	–	2	14

The remuneration of every director and the chief executive of CEC Xi'an for the year ended 31 December 2011 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Duan (ii)	–	–	–	–	–
Mr. Duan Yonghe	–	–	–	–	–
Mr. Lin Jianwen	–	–	–	–	–
Mr. Guo Xianchen	–	–	–	–	–
Mr. Xu Xinguo	–	–	–	–	–
Mr. Zhou Jinjun	–	–	–	–	–
Mr. Han Lin (i)	270	–	44	65	379
	270	–	44	65	379

The remuneration of every director and the chief executive of CEC Xi'an for the year ended 31 December 2012 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Xie Qinghua (ii)	–	–	–	–	–
Mr. Duan Yonghe	–	–	–	–	–
Mr. Lin Jianwen	–	–	–	–	–
Mr. Guo Xianchen	–	–	–	–	–
Mr. Xu Xinguo	–	–	–	–	–
Mr. Zhou Jinjun	–	–	–	–	–
Mr. Han Lin (i)	234	–	57	51	342
	234	–	57	51	342

The remuneration of every director and the chief executive of CEC Xi'an for the period ended 30 April 2013 is set out below:

Name of Director	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Xie Qinghua	–	–	–	–	–
Mr. Duan Yonghe	–	–	–	–	–
Mr. Lin Jianwen	–	–	–	–	–
Mr. Guo Xianchen	–	–	–	–	–
Mr. Xu Xinguo	–	–	–	–	–
Mr. Zhou Jinjun	–	–	–	–	–
Mr. Han Lin (i)	105	–	16	22	143
	105	–	16	22	143

(i) During the period from 12 November 2010 to 31 December 2010, each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2013, Mr. Han Lin was appointed as director as well as the chief executive of CEC Xi'an.

(ii) During the year ended 31 December 2012, Mr. Su Duan resigned from his position as director and Mr. Xie Qinghua was appointed as director.

Except for Mr. Han Lin, the other directors received emoluments from the owners of CEC Xi'an during the Relevant Periods for their services provided to CEC Xi'an.

No directors received any emoluments from CEC Xi'an as an inducement to join or leave CEC Xi'an or compensation for loss of office during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in CEC Xi'an for the period from 12 November 2010 to 31 December 2010, each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2012 and 2013 included one director respectively. The emoluments paid and payable to the remaining four individuals for the period from 12 November 2010 to 31 December 2010, each of the years ended 31 December 2011 and 2012 and the four months ended 30 April 2012 and 2013 are as follows:

	Period from 12 November 2010 to 31 December	Year ended 31 December		Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and benefits in kind	39	605	663	176	249
Pensions	–	25	46	18	34
	39	630	709	194	283

Their emoluments fell within the following bands:

	Number of individuals				
	Period/year ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
				(Unaudited)	
Nil – HKD1,000,000	4	4	4	4	4

16. Finance income – net

	Period from 12 November 2010 to 31 December 2010	Year ended 31 December		Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance costs:					
Interest expense on borrowings	–	–	283	94	99
Less: Amounts capitalised on properties under development	–	–	(283)	(94)	(99)
	–	–	–	–	–
Finance income:					
Interest income on bank deposits	13	129	198	62	21
Interest income on deposits with CEC Finance *(Note 20)*	–	19	209	66	20
Interest income on entrusted loan to CEC Beihai *(Note 20)*	–	–	486	–	138
	13	148	893	128	179
Finance income – net	13	148	893	128	179

The capitalisation rate applied to funds borrowed generally and used for the qualifying assets was approximately 6.65% per annum for the year ended 31 December 2012 and the four months ended 30 April 2012 and 2013.

17. Taxation

	Period from 12 November 2010 to 31 December 2010	Year ended 31 December		Four months ended 30 April	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax:					
– PRC corporate income tax	–	–	–	–	–
Deferred tax:					
– PRC corporate income tax	(90)	(1,443)	(1,581)	(525)	(713)
	(90)	(1,443)	(1,581)	(525)	(713)

The tax on CEC Xi'an's loss before taxation differs from the theoretical amount that would arise using the PRC statutory tax rate as follows:

	Period from 12 November 2010 to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Four months ended 30 April 2012	Four months ended 30 April 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before taxation	(363)	(8,024)	(7,296)	(2,373)	(3,012)
Tax calculated at PRC corporate income tax rate of 25%	(91)	(2,006)	(1,824)	(593)	(753)
Expenses not deductible for tax	1	563	243	68	40
Taxation	(90)	(1,443)	(1,581)	(525)	(713)

(a) PRC Corporate Income Tax

PRC Corporate Income Tax ("CIT") is provided on the assessable income of CEC Xi'an and calculated in accordance with the relevant regulations of the PRC.

CEC Xi'an is subject to CIT at a rate of 25% during the Relevant Periods.

18. Cash used in operations

	Period from 12 November 2010 to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Four months ended 30 April 2012	Four months ended 30 April 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before taxation	(363)	(8,024)	(7,296)	(2,373)	(3,012)
Adjustments for:					
Depreciation of property, plant and equipment *(Note 6)*	3	300	456	149	304
Finance income *(Note 16)*	(13)	(148)	(893)	(128)	(179)
Changes in working capital:					
Increase in properties under development	–	(4,109)	(27,501)	(660)	(2,433)
(Increase)/decrease in other receivables and prepayments	(1,715)	(3,629)	(33,083)	(455)	3,652
Increase/(decrease) in other payables	70	3,926	(1,572)	57	(122)
Cash used in operations	(2,018)	(11,684)	(69,889)	(3,410)	(1,790)

19. Commitments

(a) *Commitments for capital and property development expenditures*

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	–	35	119	107

(b) *Operating lease commitments – where CEC Xi'an is the lessee*

As at 31 December 2010, 2011 and 2012 and 30 April 2013, CEC Xi'an has future aggregate minimum lease payables under non-cancellable operating leases, details of which are as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	–	340	340	1,509
Later than one year and not later than five years	–	–	–	2,267
	–	340	340	3,776

20. Related party transactions and balances

Apart from those transactions and balances disclosed in other notes, CEC Xi'an has the following significant transactions in its ordinary course of business with its related parties during the Relevant Periods:

(a) *Name and relationship with related parties*

Name of the related parties	Relationship with CEC Xi'an
CEC Finance（中國電子財務有限責任公司）	Under common control of CEC
CEC Beihai	Controlled by CEC Technology
Guangxi Future Land	Jointly controlled entity of CEC Beihai

(b) Transactions with related parties

	Period from 12 November 2010 to 31 December	Year ended 31 December		Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income:					
CEC Finance	–	19	209	66	20
CEC Beihai	–	–	486	–	138
	–	19	695	66	158
Consulting service fee:					
CEC Beihai	–	1,050	–	–	–
Entrusted Loan to/ (repayment from) a related party:					
CEC Beihai *(Note 9)*	–	–	15,000	–	(10,000)

(c) Balances with related parties

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits:				
CEC Finance *(Note 10)*	–	65,745	13,926	9,875
Other receivables:				
Entrusted loan to CEC Beihai *(Note 9)*	–	–	15,000	5,000
Amount due from Guangxi Future Land *(Note 9)*	–	–	–	8,000
	–	–	15,000	13,000

(d) ***Borrowings guaranteed by CEC Technology***

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings *(Note 12)*	–	4,254	4,487	4,570

(e) ***Key management compensation***

	Period from 12 November 2010 to 31 December	Year ended 31 December		Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and benefits in kind	37	680	676	202	332
Pensions	–	49	82	23	49
	37	729	758	225	381

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CEC Xi'an in respect of any period subsequent to 30 April 2013 up to the date of this report. No dividend or distribution has been declared or made by CEC Xi'an in respect of any period subsequent to 30 April 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative unaudited pro forma statement of assets and liabilities of the Group ("Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the Acquisition, as if it has taken place on 31 December 2012.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition been completed on 31 December 2012 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

	Consolidated statement of assets and liabilities of the Company as at 31 Dec 2012	Pro forma adjustments								Unaudited pro forma statement of assets and liabilities of the Group
		Consolidated statement of assets and liabilities of CEC Technology as at 30 Apr 2013		Statement of assets and liabilities of CEC Xi'an as at 30 Apr 2013						
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2, 10)*		*(Note 3, 10)*		*(Note 4, 6)*	*(Note 5)*	*(Note 7)*	*(Note 8)*	
ASSETS										
Non-current assets										
Property, plant and equipment	21,210	12,571	15,714	7,180	8,975	–	–	–	–	45,899
Investment properties	–	310,084	387,605	–	–	–	–	–	–	387,605
Intangible assets	3,671	–	–	–	–	–	–	–	–	3,671
Land use rights held for self-use	–	1,291	1,614	–	–	–	–	–	–	1,614
Investment in a jointly controlled entity	–	18,261	22,826	–	–	–	–	–	–	22,826
Investments in associates	–	59,932	74,915	–	–	–	(34,307)	–	–	40,608
Trade and other receivables	–	9,185	11,481	–	–	–	–	–	–	11,481
Available-for-sale financial assets	2,467	–	–	–	–	–	–	–	–	2,467
Deferred tax assets	41,950	41,099	51,374	3,827	4,784	–	–	–	–	98,108
	69,298	452,423	565,529	11,007	13,759	–	(34,307)	–	–	614,279
Current assets										
Properties under development	–	–	–	33,679	42,099	–	–	–	(1,313)	40,786
Land use rights held for sale	–	652	815	–	–	–	–	–	–	815
Inventories	308,185	–	–	–	–	–	–	–	–	308,185
Trade and other receivables	494,604	93,147	116,434	34,775	43,469	–	–	–	(6,250)	648,257
Cash and cash equivalents	476,619	10,387	12,984	16,659	20,824	(376,250)	(67,500)	(5,900)	–	60,777
	1,279,408	104,186	130,233	85,113	106,392	(376,250)	(67,500)	(5,900)	(7,563)	1,058,820
Assets held for sale	–	45,652	57,065	–	–	–	–	–	–	57,065
	1,279,408	149,838	187,298	85,113	106,392	(376,250)	(67,500)	(5,900)	(7,563)	1,115,885
Total assets	1,348,706	602,261	752,827	96,120	120,151	(376,250)	(101,807)	(5,900)	(7,563)	1,730,164

	Consolidated statement of assets and liabilities of the Company as at 31 Dec 2012	Pro forma adjustments								Unaudited pro forma statement of assets and liabilities of the Group
		Consolidated statement of assets and liabilities of CEC Technology as at 30 Apr 2013		Statement of assets and liabilities of CEC Xi'an as at 30 Apr 2013						
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2, 10)*		*(Note 3, 10)*		*(Note 4, 6)*	*(Note 5)*	*(Note 7)*	*(Note 8)*	
LIABILITIES										
Non-current liabilities										
Borrowings	–	(104,000)	(130,000)	(4,570)	(5,713)	(73,750)	–	–	–	(209,463)
Deferred tax liabilities	–	(2,507)	(3,134)	–	–	–	–	–	–	(3,134)
	–	(106,507)	(133,134)	(4,570)	(5,713)	(73,750)	–	–	–	(212,597)
Current liabilities										
Advanced proceeds from customers	–	(18,762)	(23,453)	–	–	–	–	–	–	(23,453)
Trade and other payables	(541,671)	(103,168)	(128,960)	(2,318)	(2,898)	(300,000)	–	–	–	(973,529)
Borrowings	(1,233)	(207,400)	(259,250)	–	–	–	–	–	6,250	(254,233)
Income tax payables	–	(68,059)	(85,074)	–	–	–	–	–	–	(85,074)
	(542,904)	(397,389)	(496,737)	(2,318)	(2,898)	(300,000)	–	–	6,250	(1,336,289)
Total liabilities	(542,904)	(503,896)	(629,871)	(6,888)	(8,611)	(373,750)	–	–	6,250	(1,548,886)

Notes:

1. The balances are extracted from the consolidated balance sheet of the Company as at 31 December 2012 included in the published annual report of the Company for the year ended 31 December 2012.

2. The balances are extracted from the consolidated balance sheet of CEC Technology as at 30 April 2013 included in the accountant's report of the Target Group as set out in Appendix IIIA to the circular.

3. The balances are extracted from the balance sheet of CEC Xi'an as at 30 April 2013 included in the accountant's report of CEC Xi'an as set out in Appendix IIIB to the circular.

4. The adjustment represents the consideration for the acquisition of CEC Technology totaling RMB600 million (equivalent to approximately HK$750 million). For the purpose of this Unaudited Pro Forma Financial Information, 60% of the consideration (i.e. RMB360 million) is assumed to be paid by cash and proceeds from the draw down of an existing unused bank facility amounting to RMB59 million (equivalent to HK$73.8 million) upon the Completion. The remaining 40% of the consideration (i.e. RMB240 million) is recorded as other payables.

   Apart from the above bank facility, the Company has RMB280 million (equivalent to HK$350 million) of unused facility from CEC Finance.

5. The adjustment represents the acquisition of 12.99% equity interest in CEC Xi'an held by ChinaSoft at a consideration of RMB18 million (equivalent to approximately HK$22.5 million) and 25.97% equity interest in CEC Xi'an held by 6th Research Institute at a consideration of RMB36 million (equivalent to approximately HK$45 million) by CEC Technology pursuant to the Equity Transfer Agreement. As such, CEC Technology will become interested in 66.23% equity interest in CEC Xi'an upon the Completion and CEC Xi'an will become a subsidiary of CEC Technology.

   Since ChinaSoft, 6th Research Institute and the Group are under the common control of CEC, the acquisition of the above equity interest in CEC Xi'an by CEC Technology will be accounted for in the consolidated financial statements of CEC Technology using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") upon the Completion.

6. Since CEC Technology and the Group are under the common control of CEC, the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group using the principles of merger accounting as prescribed in AG5 issued by the HKICPA upon the Completion.

   The net assets of CEC Technology (including the 66.23% equity interest in CEC Xi'an) are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

7. The adjustment represents the estimated transactions costs of approximately HK$5.9 million.

8. The adjustments represent the elimination of the inter-company balances between CEC Xi'an and CEC Beihai of RMB5.0 million (equivalent to approximately HK$6.3 million) and the elimination of the RMB1.05 million (equivalent to approximately HK$1.3 million) of consulting fee charged by CEC Beihai to CEC Xi'an, which was recorded in properties under development of CEC Xi'an.

9. No adjustments have been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2012.

10. For the purpose of this Unaudited Pro Forma Financial Information, amounts denominated in Renminbi are converted into Hong Kong dollars at HK$1.0 to RMB0.8.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

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

TO THE DIRECTORS OF CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Electronics Corporation Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group"), and China Electronics Technology Development Co., Ltd and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2012, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV – 1 to IV – 3 of the Company's circular dated 28 August 2013, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are set out on pages IV – 1 to IV – 3 of the Company's circular dated 28 August 2013.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2012 as if the Transaction had taken place at 31 December 2012. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2012, on which an audit report has been published.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2012 would have been as presented.

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

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

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

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

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

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

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 August 2013

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by the Target Group in the PRC as at 31 May 2013.

戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

28 August 2013

The Board of Directors
China Electronics Corporation Holdings Company Limited
Room 3403,
34/F., China Resources Building,
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with the instruction of China Electronics Corporation Holdings Company Limited (中國電子集團控股有限公司) (the "Company") for us to carry out the valuation of the market value of the properties ("Properties") held by China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司) and its subsidiaries (together the "Target Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 31 May 2013 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of each of the Properties represents its market value which in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties held by the Target Group in the PRC, we have assumed that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Target Group and the PRC legal opinion of the Company's legal adviser, Guantao Law Firm（觀韜律師事務所）dated 28 August 2013, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have assumed that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

In valuing the Property in Group I, which is held by the Target Group for sale in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties in Group II, which are held by the Target Group for sale/investment in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also valued the Properties by Income Approach by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary rental income potential of the Properties.

In valuing the Properties in Group III, which are held by the Target Group for development in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also taken into account the expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Target Group and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, completion dates of building, construction cost, particulars of occupancy, development scheme, tenancy information, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Target Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Target Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our DTZ PRC Offices valuers, Eric Fan, Sandy Meng, Stephaine Shen, Li Zhi (a Surveyor or a China Real Estate Appraiser) have inspected the exterior and, wherever possible, the interior of the properties in April 2013 respectively. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 20 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 May 2013	The Target Group's attributable interest	Market Value in existing state as at 31 May 2013 attributable to the Target Group
		RMB	*%*	*RMB*
Group I – Properties held by the Target Group for sales in the PRC				
1.	Portion of residential and retail units of Qingfen Ju, Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	53,727,000	40%	21,490,800
2.	Portion of commercial buildings, Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	175,661,000	40%	70,264,400
	sub-total of Group I in RMB:	**229,388,000**		**91,755,200**
Group II – Properties held by the Target Group for owner-occupied/investment in the PRC				
3.	Incubation Building of Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	92,732,000	40%	37,092,800
4.	CEC Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	295,524,000	100%	295,524,000

	Property	Market Value in existing state as at 31 May 2013 *RMB*	The Target Group's attributable interest *%*	Market Value in existing state as at 31 May 2013 attributable to the Target Group *RMB*
5.	Level 15, CEC Building, No. 6 Zhongguancun South Street, Haidian District, Beijing, the PRC	34,899,000	100%	34,899,000
	sub-total of Group II in RMB:	**423,155,000**		**367,515,800**

Group III – Properties held by the Target Group for development in the PRC

6.	Mingyue Ju, south of Boyuan Road and Ruifeng Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	68,744,000	40%	27,497,600
7.	Portion of lot A located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	65,939,000	40%	26,375,600
8.	Lot C located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	738,573,000	40%	295,429,200

	Property	Market Value in existing state as at 31 May 2013	The Target Group's attributable interest	Market Value in existing state as at 31 May 2013 attributable to the Target Group
		RMB	*%*	*RMB*
9.	Lot E located at south of Nanyihuan Road, Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	94,356,000	40%	37,742,400
10.	Portion of Lot B located at north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	60,765,000	40%	24,306,000
11.	Portion of Lot B located at south of Boyuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	13,371,000	40%	5,348,400
12.	A site located at northeast of Yingbin Road and Haipin Erheng Road, Yingbin Peninsula, Hainan Province, the PRC	52,493,000	40%	20,997,200

	Property	Market Value in existing state as at 31 May 2013 *RMB*	The Target Group's attributable interest *%*	Market Value in existing state as at 31 May 2013 attributable to the Target Group *RMB*
13.	A site of CEC Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	1,514,000	100%	1,514,000
14.	A proposed residential development located at the northeast of the junction of Nanzhu Avenue and Taiwan Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	358,579,000	70%	251,005,300
15.	A proposed industrial development located at north of Shangji Road, west of Caotan 10th Road, Weiyang District, Xi'an, the PRC	56,000,000	27.27%	15,271,200
	sub-total of Group III in RMB:	**1,510,334,000**		**705,486,900**
	Grand total:	**2,162,877,000**		**1,164,757,900**

VALUATION CERTIFICATE

Group I – Properties held by the Target Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
1.	Portion of residential and retail units of Qingfen Ju, Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	The Property is a composite development erected on a parcel of land with a total site area of 21,647.28 sq m which was completed in 2013. According to the information provided by the Target Group, the Property comprises certain residential and retail units with a total gross floor area of 6,986.06 sq m and 1,661.92 sq m respectively. The Property comprises pre-sold residential units with a total gross floor area of 2,248.61 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2080 for residential use.	As at the date of valuation, the Property is currently vacant.	RMB53,727,000 (40% interest attributable to the Target Group: RMB21,490,800) (On the assumption that Building Ownership Certificate will be issued in due course and the related fees incurred have been fully paid and settled.)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010) 1237 dated 13 June 2010, the land use rights of the Property, comprising a total site area of 21,647.28 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd（海南生態軟件園投資發展有限公司）for a term due to expire on 20 May 2080 for residential use.

The Property is part of the said site area.

(2) We noted that no Building Ownership Certificate has been obtained. We are on the assumption that the Building Ownership Certificate will be issued in due course and the related fees incurred have been fully paid and settled.

(3) According to two Completion and Acceptance Tables Nos. 2013(05) and (06), the construction works of Nos. 1-6 of Qingfeng Ju comprising a total gross floor area of 42,094.25 sq m were completed.

The Property is part of the said gross floor area.

(4) As advised by the Target Group, as at the date of valuation, residential portion with a total gross floor area of 2,248.61 sq m was pre-sold at a total consideration of approximately RMB11,805,662. In the course of our valuation, we have taken into account the above said consideration.

(5) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd（海南生態軟件園投資發展有限公司）was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(6) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd（海南生態軟件園投資發展有限公司）has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	No
Completion and Acceptance Table	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Properties held by the Target Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
2.	Portion of commercial buildings, Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	The Property is a composite development erected on 2 parcels of land with a total site area of 49,860.59 sq m which was completed in 2013. According to the information provided by the Target Group, the Property comprises certain commercial buildings with a total gross floor area of 37,445.36 sq m. The Property comprises pre-sold commercial units with a total gross floor area of 13,761.14 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 1 November 2051 for financial and commercial use.	As at the date of valuation, the Property is currently vacant.	RMB175,661,000 (40% interest attributable to the Target Group: RMB70,264,400) (On the assumption that Building Ownership Certificate will be issued in due course and the related fees incurred have been fully paid and settled.)

Notes:

(1) According to 2 Certificates for the Use of State-owned Land all dated 22 December 2011, the land use rights of the Property, comprising a total site area of 49,860.59 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 1 November 2051 for financial and commercial use.

Certificate No.	Land Lot No.		Site Area *(sq m)*
(2011)1365	702010143		13,188.44
(2011)1366	702010144		36,672.15
		Total	**49,860.59**

The Property is part of the said site area.

(2) We noted that no Building Ownership Certificate has been obtained. We are on the assumption that the Building Ownership Certificate will be issued in due course and the related fees incurred have been fully paid and settled.

(3) According to Completion and Acceptance Table No. 2013(07), the construction works of blocks B1-B29 of lot B comprising a total gross floor area of 57,137.2 sq m were completed.

The Property is part of the said gross floor area.

(4) As advised by the Target Group, as at the date of valuation, commercial portion with a total gross floor area of 13,761.14 sq m was pre-sold at a total consideration of approximately RMB45,398,001. In the course of our valuation, we have taken into account the above said consideration.

(5) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(6) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	No
Completion and Acceptance Table	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the Target Group for owner-occupied/investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
3.	Incubation Building of Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	Hainan Resort Software Community is a composite development in various phases. Incubation Building is phase one of Hainan Resort Software Community which erected on a portion of parcel of land with a total site area of 108,691.75 sq m. Incubation Building is 5-storey plus 1 level of basement at Hainan Resort Software Community, with a total gross floor area of 16,935.56 sq m, completed in 2011. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2050 for commercial use.	As at the date of valuation, portion of the Property, with a total gross floor area of 10,441.01 sq m, is subject to various tenancies with the latest expiry date on 30 March 2013. The new lease agreements haven't been settled yet. The remaining portion of the Property, with a total gross floor area of 6,494.55 sq m, is currently occupied by the Target Group.	RMB92,732,000 (40% interest attributable to the Target Group: RMB37,092,800)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1236 dated 13 June 2010, the land use rights of the Property, comprising a total site area of 108,691.75 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 20 May 2050 for commercial use.

The Property is part of the said site area.

(2) According to Building Ownership Certificate No. 3121 dated 2 August 2011, the building ownership of the Property, with a total gross floor area of 16,935.56 sq m, have been vested to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for commercial use.

(3) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the Target Group for owner-occupied/investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
4.	CEC Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	CEC Beihai Industrial Park is an industrial development in various phases. The Property is phase one of CEC Beihai Industrial Park which erected on seven parcels of land with a total site area of 149,713.01 sq m which was completed in between 2010 and 2012. The Property comprises 4 blocks of industrial buildings, 4 blocks of dormitory buildings and an equipment room of CEC Beihai Industrial Park with a total gross floor area of 149,624.15 sq m.	As at the date of valuation, portion of the Property, with a total gross floor area of 39,879.41 sq m, is subject to various tenancies with the latest expiry date on 31 May 2030 at a total monthly rent of RMB35,610, exclusive of management fee. Portion of the Property, with a total gross floor area of 98,092.30 sq m, is occupied by various tenants without tenancy. Portion of the Property, with a total gross floor area of 6,275.05 sq m, is currently vacant. The remaining portion of the Property, with a total gross floor area of 5,377.39 sq m, is currently occupied by the Target Group.	RMB295,524,000 (100% interest attributable to the Target Group: RMB295,524,000) (Portion of the Property with a total gross floor area of 82,465.80 sq m has not been obtained Building Ownership Certificate. We are on the assumption that the Building Ownership Certificate will be issued in due course and the related fees incurred have been fully paid and settled.)

Block No.	Use	Gross Floor Area *(sq m)*
With Title Certificate		
D03	Industrial	9,664.08
A01	Industrial	21,204.39
B01	Industrial	36,289.88
	Sub-total	67,158.35
Without Title Certificate		
C01	Dormitory	7,765.55
C02	Dormitory	7,765.55
C03	Dormitory	10,550.12
C04	Dormitory	8,505.15
–	Equipment room	342.79
B02 & B03	Industrial	47,536.64
	Sub-total	82,465.80
	Total	**149,624.15**

The Property is located at north of Taiwan Road and east of Jilin Road in Haicheng District of Beihai. Developments nearby are mainly industrial development. According to the Target Group, the Property is used for industrial and dormitory use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property.

The land use rights of the Property have been granted for a term due to expire on 22 July 2058 for industrial use.

Notes:

(1) According to 7 Certificates for the Use of State-owned Land all dated 27 July 2012, the land use rights of the Property, comprising a total site area of 149,713.01 sq m, have been granted to China Electronics Beihai Industrial Park Development Co., Ltd（中國電子北海產業園發展有限公司）for a term due to expire on 22 July 2058 for industrial use:

Certificate No.	Land Lot No.	Site Area *(sq m)*
(2012)B37753	13-3-19	11,929.65
(2012)B37746	13-3-16	22,214.40
(2012)B37754	13-3-21	30,267.85
(2012)B37757	13-3-12	31,192.72
(2012)B37748	13-3-15	48,004.42
(2012)B37751	13-3-24	3,344.00
(2012)B37745	13-3-25	2,759.97
	Total	**149,713.01**

In the course of our valuation, we have ascribed no commercial value of the 2 parcels of land Nos.13-3-24 and 13-3-25, with a total site area of 6,103.97 sq m, as the lands are now used as roads.

(2) According to 3 Building Ownership Certificates, the building ownership of the Property, with a total gross floor area of 67,158.35 sq m, have been vested to China Electronics Beihai Industrial Park Development Co., Ltd（中國電子北海產業園發展有限公司）for industrial use:

Certificate No.	Address	Gross Floor Area *(sq m)*
(2012)051016	No. 1 Guihua'er Road	36,289.88
(2013)003201	No. 2 Guihua'er Road	21,204.39
(2013)003347	No. 12 Guihuasan Road	9,664.08
	Total	**67,158.35**

We noted that the remaining portion of the Property with a total gross floor area of 82,465.80 sq m has not been obtained Building Ownership Certificate. We are on the assumption that the Building Ownership Certificate will be issued in due course and the related fees incurred have been fully paid and settled.

(3) According to Business Licence No. 450500000013590 dated 13 April 2010, China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) was established as a limited liability company on 16 April 2009 with a registered capital of RMB150,000,000 for a valid operation period from 16 April 2009 to 15 April 2029.

(4) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) is in the process of applying for the Building Ownership Certificate of the portion of the Property with a total gross floor area of 82,465.80 sq m;

(iii) Seven parcels of land with a total site area of 149,713.01 sq m and portion of buildings with a total gross floor area of 102,087.51 sq m of the Property are subject to a mortgage in favour of Agricultural Bank of China of Beihai Branch (農業銀行北海分行); and

(iv) China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) has the right to occupy, use, lease, transfer, re-mortgage the Property within the land use term subject to the consent of Agricultural Bank of China of Beihai Branch (農業銀行北海分行).

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes (partly)
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the Target Group for owner-occupied/investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
5.	Level 15, CEC Building, No. 6 Zhongguancun South Street, Haidian District, Beijing, the PRC	CEC Building (中電信息大廈) is an 18-storey plus 2 levels of basement office building completed in 2002. According to the information provided by the Target Group, the Property comprises whole floor of Level 15 with a total gross floor area of 1,365.03 sq m and an attributable site area of 213.69 sq m. Level Nos. 13 and 14 are not assigned inside CEC Building, thus the Property, Level 15, is now known as Level 17. The Property is located at Zhongguancun in Haidian District of Beijing. Developments nearby are mainly office and residential development. According to the Target Group, the Property is used for office use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 1 May 2043 for office use.	As at the date of valuation, portion of the Property with a total gross floor area of 601.48 sq m is subject to two tenancies with the latest expiry date on 15 October 2013, at a monthly rent of RMB49,000, exclusive of management fee. The remaining portion of the Property is currently occupied by the Target Group.	RMB34,899,000 (100% interest attributable to the Target Group: RMB34,899,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2008) 4432 dated 28 April 2008, the land use rights of the Property, comprising an attributable site area of 213.69 sq m, has been granted to China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司) for a term due to expire on 1 May 2043 for office use.

(2) According to Building Ownership Certificate No. 036455 dated 27 March 2008, the building ownership of the Property, comprising a total gross floor area of 1,365.03 sq m, has been vested in China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司) for office use.

(3) According to Business Licence No. 110000007524497 dated 30 July 2012, China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司) was established as a limited company with a registered capital of RMB100,000,000 for a valid operation period from 9 April 1988 to 8 April 2028.

(4) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The Property is subject to a mortgage in favour of China Electronics Financial Co., Ltd (中國電子財務有限責任公司); and

(iii) China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司) has the right to occupy, use, lease, transfer, re-mortgage the Property within the land use term subject to the consent of China Electronics Financial Co., Ltd (中國電子財務有限責任公司).

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
6.	Mingyue Ju, south of Boyuan Road and Ruifeng Road, Laocheng Economic Development Zone, Chengmai County, Hainan Province, the PRC	The Property is a residential development erected on a parcel of land with a total site area of 14,434.50 sq m. According to the information provided by the Target Group, the Property will be developed into a residential development with a planned total gross floor area of 37,297.42 sq m.	As at the date of valuation, the Property is currently under development. The Property is scheduled to be completed in 2014.	RMB68,744,000 (40% interest attributable to the Target Group: RMB27,497,600)

Portion	Gross Floor Area *(sq m)*
Residential	33,030.61
Retail	1,365.50
Facility	2,901.31
Total	**37,297.42**

The Property is located at Laocheng Economic Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property.

The land use rights of the Property have been granted for a term due to expire on 20 June 2080 for residential use.

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2013) 1434 dated 25 February 2013, the land use rights of the Property, comprising a total site area of 14,434.50 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 20 June 2080 for residential use.

(2) According to Land Use Rights Grant Contract No. 201022 dated 21 June 2010 and its Supplement Contract dated 29 December 2012:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	14,434.50 sq m
(iv)	Land Use	:	Residential
(v)	Land Use Term	:	70 years

(3) According to Planning Permit for Construction Use of Land No. 4690012012176 dated 21 June 2012, the construction site of the Property with a site area of 14,434.50 sq m is in compliance with urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2013) 050 dated 21 March 2013, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of 37,297.42 sq m.

(5) According to Permit for Commencement of Construction Works No. 469023120130409101101 dated 9 April 2013, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of 37,297.42 sq m.

(6) According to Pre-Permit for Commodity Housing No. (2013) 013 dated 16 April 2013, the Property with a gross floor area of 34,396.11 sq m is permitted to be pre-sale.

(7) According to Survey Report Nos. 20130251 to 20130255 issued by Hainan Libao Survey Co., Ltd. (海南利保測繪有限公司), dated 8 April 2013, Mingyue Ju has a total gross floor area of 36,213.31 sq m.

(8) According to the information provided by the Target Group, the estimated total construction cost to complete the Property is RMB89,600,000; a construction cost of RMB23,220,000 has been expended for the said of portion of the Property as at 31 May 2013. In the course of our valuation, we have taken into account the above expended construction costs.

(9) The Estimated Market Value as if completed of the Property as at 31 May 2013 was RMB239,000,000.

(10) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(11) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Work	Yes
Permit for Commencement of Construction Work	Yes
Pre-Permit for Commodity Housing	Yes
Survey Report	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
7.	Portion of lot A located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with an attributable site area of 40,600.20 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 May 2050 for commercial use.	As at the date of valuation, sport centre portion of the Property, with a total gross floor area of 432 sq m, is licensed on hourly basis by each facility. The remaining portion of the Property is currently a vacant land.	RMB65,939,000 (40% interest attributable to the Target Group: RMB26,375,600) (Portion of the Property, a sport centre, with a total gross floor area of 432 sq m has not obtained Building Ownership Certificate. We are on the assumption that all relevant certificates will be issued in due course and the related fees incurred have been fully paid and settled.)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)1236 dated 13 June 2010, the land use rights of the Property, comprising a total site area of 108,691.75 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 20 May 2050 for commercial use.

The Property is part of the said site area, with an attributable site area of 40,600.20 sq m.

(2) According to Land Use Rights Grant Contract No. 200907 dated 1 June 2009 and its Supplement Contract No. 201037 dated 21 October 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(ii)	Location	:	North of 1 km from Nanyihuan Road, Laocheng Development Zone
(iii)	Site Area	:	108,692 sq m
(iv)	Land Use	:	Commercial
(v)	Plot Ratio	:	Not more than 1.2
(vi)	Land Premium	:	RMB28,259,920
(vii)	Land Use Term	:	40 years

(3) According to Planning Permit for Construction Use of Land No. 2010148 dated 18 June 2010, the construction site of a parcel of land with a total site area of 108,691.75 sq m is in compliance with urban planning requirements.

(4) We noted that the portion of the Property, a sport centre, with a total gross floor area of 432 sq m has not been obtained Building Ownership Certificate. We are on the assumption that all relevant certificates will be issued in due course and the related fees incurred have been fully paid and settled. A total construction costs as at 31 May 2013 was RMB5,190,000. In the course of our valuation, we have taken into account the above expended construction costs.

(5) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(6) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 31 May 2013**
8.	Lot C located at Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises 2 parcels of land with a total site area of 331,368.90 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for residential and commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for various terms. Detail of land use rights, please see note (1).	As at the date of valuation, the Property is currently a vacant land.	RMB738,573,000 (40% interest attributable to the Target Group: RMB295,429,200)

Notes:

(1) According to 2 Certificates for the Use of State-owned Land, the land use rights of the Property, comprising a total site area of 331,368.90 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司):

Certificate No.	Issued date	Location	Site Area *(sq m)*	Uses	Expiry Date
(2010)1227	2 June 2010	South of 700M from Nanyihuan Road, Laocheng Development Zone	208,079.13	Residential	14 January 2080
(2010)1214	2 April 2010	South of 600M from Nanyihuan Road, Laocheng Development Zone	123,289.77	Commercial	30 May 2059
		Total	**331,368.90**		

(2) According to 2 Land Use Rights Grant Contracts:

(i)	Land Use Rights Grant Contract No.	:	201002	201036
(ii)	Issued Date	:	11 January 2010	21 October 2010
(iii)	Grantee	:	Hainan Resort Software Community Investment Co., Ltd (海南生態軟件園投資有限公司)	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(iv)	Location	:	Nanyihuan Road, Laocheng Development Zone	South of 600M from Nanyihuan Road, Laocheng Development Zone
(v)	Site Area	:	208,079.13 sq m	123,289.77 sq m
(vi)	Land Use	:	Residential	Commercial
(vii)	Plot Ratio	:	Not more than 1.6	Not more than 1.2
(viii)	Land Premium	:	RMB63,680,000	RMB32,548,499
(ix)	Land Use Term	:	70 years	40 years

(3) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(4) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws;

(ii) The Property with a site area of 123,289.77 sq m is subject to a mortgage in favour of China Electronics Financial Co., Ltd (中國電子財務有限責任公司); and

(iii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, lease, transfer, re-mortgage the Property within the land use term subject to the consent of China Electronics Financial Co., Ltd (中國電子財務有限責任公司).

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
9.	Lot E located at south of Nanyihuan Road, Hainan Resort Software Community, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 144,121.037 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for science and education use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 2 May 2060 for science and education use.	As at the date of valuation, the Property is currently a vacant land.	RMB94,356,000 (40% interest attributable to the Target Group: RMB37,742,400) (On the assumption that the Certificate for the Use of State-owned Land will be issued in due course and the land premium has been fully paid and settled.)

Notes:

(1) We noted that no Certificate for the Use of State-owned Land has been obtained. We are on the assumption that the Certificate for the Use of State-owned Land will be issued in due course and the land premium has been fully paid and settled.

(2) According to Land Use Rights Grant Contract No. 201023 dated 21 June 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	144,120 sq m
(iv)	Land Use	:	Science and education
(v)	Plot Ratio	:	Not more than 1.8
(vi)	Land Premium	:	RMB35,100,001
(vii)	Land Use Term	:	50 years

(3) According to Planning Permit for Construction Use of Land No. 2010317 dated 10 September 2010, the construction site of a parcel of land with a total site area of 144,121.037 sq m is in compliance with urban planning requirements.

(4) According to Business Licence No.469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) is in the process of applying for the Certificate for the Use of State-owned Land and will have no legal obstacles in the process.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	No
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
10.	Portion of Lot B located at north of Nanyihuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 25,965.47 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 14 January 2080 for residential use.	As at the date of valuation, the Property is occupied by the Administrative Committee of Laocheng Development Zone.	RMB60,765,000 (40% interest attributable to the Target Group: RMB24,306,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010) 1228 dated 22 December 2011, the land use rights of the Property, comprising a total site area of approximately 25,965.47 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 14 January 2080 for residential use.

(2) According to Land Use Rights Grant Contract No. 210101 dated 11 January 2011:

(i)	Grantee	:	Hainan Resort Software Community Investment Co., Ltd (海南生態軟件園投資有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	39,153.91 sq m
(iv)	Land Use	:	Residential
(v)	Plot Ratio	:	Not more than 1.6
(vi)	Land Premium	:	RMB12,750,000
(vii)	Land Use Term	:	70 years

According to its Alteration of Contracts dated 5 December 2011, portion of the land has changed its land use to commercial use.

The Property is part of the said site area.

(3) According to 2 Government Letters Nos. Chengfuhan 2010 159 and 160, Chengmai Country Government will recover the land use right of State-owned land with a total site area 59.731 acre and will offer a piece of land with the same value around Phase I of Hainan Resort Software Community.

(4) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term before Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) alters the registration of the land use rights.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes
Government Letter	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
11.	Portion of Lot B located at south of Boyuan Road, Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 15,560.39 sq m. The Property is located at Laocheng Development Zone in Chengmai County of Hainan. Developments nearby are mainly residential, commercial and office development. According to the Target Group, the Property is used for science and education use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 20 June 2060 for science and education use.	The Property currently is occupied by the local government to develop economical housings.	RMB13,371,000 (40% interest attributable to the Target Group: RMB5,348,400)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010) 1299 dated 25 February 2013, the land use rights of the Property, comprising a total site area of approximately 15,560.39 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 20 June 2060 for science and education use.

(2) According to Land Use Rights Grant Contract No. 201022 dated 21 June 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(ii)	Location	:	High-tech Industrial Park of Laocheng Economic Development Zone
(iii)	Site Area	:	66,667.04 sq m
(iv)	Land Use	:	Science and education
(v)	Plot Ratio		Not more than 1.8
(vi)	Land Premium	:	RMB15,500,001
(vii)	Land Use Term	:	50 years

The Property is part of the said site area.

(3) According to 2 Government Letters Nos. Chengfuhan 2010 159 and 160, Chengmai Country Government will recover the land use right of State-owned land with a total site area 59.731 acre and will offer a piece of land with the same value around Phase I of Hainan Resort Software Community.

(4) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term before Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) alters the registration of the land use rights.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes
Government Letter	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
12.	A site located at northeast of Yingbin Road and Haipin Erheng Road, Yingbin Peninsula, Hainan Province, the PRC	The Property comprises a parcel of land with a total site area of 63,501.13 sq m. The Property is located at northeast of Yingbin Road and Haipin Erheng Road in Chengmai County of Hainan. Developments nearby are mainly residential and hotel development. According to the Target Group, the Property is used for science and education use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 2 May 2060 for science and education use.	As at the date of valuation, the Property is currently a vacant site with two buildings pending to be demolished.	RMB52,493,000 (40% interest attributable to the Target Group: RMB20,997,200)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010) 1256 dated 19 November 2010, the land use rights of the Property, comprising a total site area of 63,501.13 sq m, have been granted to Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) for a term due to expire on 2 May 2060 for science and education use.

(2) According to Land Use Rights Grant Contract No. 201009 dated 4 May 2010:

(i)	Grantee	:	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)
(ii)	Location	:	Yingbin Peninsula, Laocheng Development Zone
(iii)	Site Area	:	63,501 sq m
(iv)	Land Use	:	Science and education
(v)	Plot Ratio	:	Not more than 0.5
(vi)	Land Premium	:	RMB31,000,000

(3) According to Planning Permit for Construction Use of Land No. 101 dated 25 April 2011, the construction site of a parcel of land with a total site area of 63,501.13 sq m is in compliance with urban planning requirements.

(4) According to Business Licence No. 469027000009752 dated 7 December 2009, Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) was established as a limited liability company on 6 November 2008 with a registered capital of RMB160,000,000 for a valid operation period from 6 November 2008 to 6 November 2038.

(5) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws; and

(ii) Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
13.	A site of CEC Beihai Industrial Park, north of Taiwan Road, east of Jilin Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	The Property comprises a parcel of land with a total site area of 7,968.99 sq m. According to the information provided by the Target Group, the Property will be developed into an industrial development. The Property is located at north of Taiwan Road and east of Jilin Road in Haicheng District of Beihai. Developments nearby are mainly industrial development. According to the Target Group, the Property is used for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 22 July 2058 for industrial use.	As at the date of valuation, the Property is currently used as green land pending for development.	RMB1,514,000 (100% interest attributable to the Target Group: RMB1,514,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2012)B37759 dated 27 July 2012, the land use rights of the Property, comprising a total site area of approximately 7,968.99 sq m, have been granted to China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) for a term due to expire on 22 July 2058 for industrial use.

(2) According to Land Use Rights Grant Contract No. BGTH(2008)24 dated 21 May 2008:

(i)	Grantee	:	China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司)
(ii)	Location	:	North of Taiwan Road and east of Jilin Road
(iii)	Site Area	:	457,355.20 sq m
(iv)	Land Use	:	Industrial
(v)	Plot Ratio	:	Not less than 1.0 and not more than 2.0
(vi)	Land Premium	:	RMB94,000,000
(vii)	Land Use Term	:	50 years

The property is part of the said site.

(3) According to Business Licence No. 450500000013590 dated 13 April 2010, China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) was established as a limited liability company on 16 April 2009 with a registered capital of RMB150,000,000 for a valid operation period from 16 April 2009 to 15 April 2029.

(4) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws;

(ii) The Property with a total site area of 7,968.99 sq m is subject to a mortgage in favour of Agricultural Bank of China of Beihai Branch (農業銀行北海分行); and

(iii) China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) has the right to occupy, use, lease, transfer, re-mortgage the Property within the land use term subject to the consent of Agricultural Bank of China of Beihai Branch (農業銀行北海分行).

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
14.	A proposed residential development located at the northeast of the junction of Nanzhu Avenue and Taiwan Road, Haicheng District, Beihai, Guangxi Zhuang Autonomous Region, the PRC	The Property is a proposed residential development erected on a parcel of land with a site area of 300,333.80 sq m. According to the information provided by the Target Group, the Property will be developed into a residential development with a total gross floor area above ground of 750,834.50 sq m. The Property is located at northeast of the junction of Nanzhu Avenue and Taiwan Road in Haicheng District of Beihai. Developments nearby are mainly industrial and residential development. According to the Target Group, the Property is planned mainly for residential use with ancillary science and education use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 9 December 2059 for residential, science and education use.	As at the date of valuation, portion of the Property is currently a vacant site with an elementary school and some residential buildings pending for demolish. Portion of the Property, with a total gross floor area of 1,682.61 sq m, is currently under development.	RMB358,579,000 (70% interest attributable to the Target Group: RMB251,005,300) (Portion of the Property, a building, with a total gross floor area of 1,682.61 sq m which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works, we are on the assumption that all relevant permits will be issued in due course and the related fees incurred have been fully paid and settled.)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2012) B38931 dated 17 September 2012, the land use rights of the Property, comprising a site area of 300,333.80 sq m, have been granted to Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司), a 70% owned company of China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) for a term due to expire on 9 December 2059 for residential, science and education use.

(2) According to Land Use Rights Grant Contract No. 2009023 dated 9 November 2009:

(i)	Grantee	:	China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司)
(ii)	Location	:	East of Nanzhu Avenue and north of Taiwan Road
(iii)	Site Area	:	300,333.80 sq m (295,333.80 sq m for residential use and 5,000 sq m for science and education use)
(iv)	Land Use	:	Residential, science and education
(v)	Plot Ratio	:	Not more than 2.5
(vi)	Land Premium	:	RMB131,210,420
(vii)	Land Use Term	:	50 years

(3) According to Planning Permit for Construction Use of Land No. 450501201200115 dated 19 July 2012, the construction site of the Property with a site area of 300,333.80 sq m is in compliance with urban planning requirements.

(4) We noted that the portion of the Property, a building, with a total gross floor area of 1,682.61 sq m which is currently under development without Planning Permit for Construction Works and Permit for Commencement of Construction Works, we are on the assumption that all relevant permits will be issued in due course and the related fees incurred have been fully paid and settled. A construction cost of RMB1,673,000 has been expended for the said portion of the Property as at 31 May 2013. In the course of our valuation, we have taken into account the above expended construction costs.

(5) According to Business Licence No. 450500000014700(1-1) dated 17 December 2012, Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司) was established as a limited liability company on 28 December 2011 with a registered capital of RMB200,000,000 for a valid operation period from 28 December 2011 to 28 December 2031.

(6) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws;

(ii) The Property is not subject to mortgage; and

(iii) Guangxi CEC Future Investment Land Co., Ltd (廣西中電未來投資置業有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Target Group for development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
15.	A proposed industrial development located at north of Shangji Road, west of Caotan 10th Road, Weiyang District, Xi'an, the PRC	The Property is a proposed industrial development on two parcels of land with a site area of 134,537.96 sq m. According to the information provided by the Target Group, the Property will be developed into an industrial development with a total gross floor area above ground of 269,076 sq m. The Property is located at north of Shangji Road, west of Caotan 10th Road, Weiyang District of Xi'an. Developments nearby are mainly industrial development. According to the Target Group, the Property is planned mainly for industrial use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. The land use rights of the Property have been granted for a term due to expire on 21 October 2062 for industrial use.	As at the date of valuation, certain preliminary site levelling works had been carried out; the Property is currently a vacant land pending for development.	RMB56,000,000 (27.27% interest attributable to the Target Group: RMB15,271,200) (Portion of the Property, with site area of 53,788.12 sq m, has not been obtained Certificate for the Use of State-owned Land, we are on the assumption that the Certificate for the Use of State-owned Land will be issued in due course and the land premium has been fully paid and settled.)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2012) 056 dated 20 December 2012, the land use rights of the Property, comprising a site area of 80,749.84 sq m, has been granted to China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司) for a term due to expire on 21 October 2062 for industrial use.

(2) We noted that portion of the Property, with site area of 53,788.12 sq m, has not been obtained Certificate for the Use of State-owned Land, we are on the assumption that the Certificate for the Use of State-owned Land will be issued in due course and the land premium has been fully paid and settled.

(3) According to 2 Land Use Rights Grant Contracts:

(i)	Land Use Rights Grant Contract No.	:	(2012) 033	(2012) 034
(ii)	Issued Date	:	22 October 2012	22 October 2012
(iii)	Grantee	:	China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司)	China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司)
(iv)	Location	:	North of Shangji Road, west of Caotan 10th Road	North of Shangji Road, west of Caotan 10th Road
(v)	Site Area	:	80,749.84 sq m	53,788.12 sq m
(vi)	Land Use	:	Industrial	Industrial
(vii)	Plot Ratio	:	Not more than 2.0, not less than 1.5	Not more than 2.0, not less than 1.5
(viii)	Land Premium	:	RMB30,610,000	RMB20,500,000
(ix)	Land Use Term	:	50 years	50 years

(4) According to Planning Permit for Construction Use of Land No. XJK(2011) 07 dated 17 June 2011, the construction site of the Property with a site area of 158.297 mu (including confiscate road 23.114 mu) is in compliance with urban planning requirements.

(5) According to Business Licence No. 610132100019431 dated 28 February 2013, China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司) was established as a limited liability company with a registered capital of RMB115,500,000 for a valid operation period from 12 November 2010 to 11 November 2013.

(6) According to the PRC legal opinion:

(i) Certificate for the Use of State-owned Land is valid, legal and enforceable under the PRC laws;

(ii) The Property is not subject to mortgage;

(iii) China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司) has the right to occupy, use, transfer or otherwise dispose of the Property within the land use term; and

(iv) China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司) is in the process of applying Certificate for the Use of State-owned Land of 53,788.12 sq m and will have no legal obstacles in the process.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:

Land Use Rights Grant Contract	Yes
Certificate for the Use of State-owned Land	Yes (partly)
Planning Permit for Construction Use of Land	Yes (partly)
Business Licence	Yes

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 and the Target Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Mr. Rui Xiaowu, the Chairman of the Company and a non-executive Director, is the chairman of CEC and a director of China Electronics Corporation (BVI) Holdings Company Limited ("CEC (BVI)"). Mr. Zhao Guiwu, the Vice Chairman of the Company and a non-executive Director, is a director of CEC (BVI). Mr. Xie Qinghua, the Managing Director of the Company and an executive Director, is also a director of CEC (BVI). Mr. Liu Jinping, an executive Director, is the general manager of China Huada. Details of the shareholding of CEC, CEC (BVI) and China Huada in the Company are set out in the paragraph headed "Substantial Shareholders" in this Appendix. Save as disclosed herein, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Number or attributable number of shares interest	Approximate percentage or attributable percentage of total issued share capital of the Company
CEC (BVI)	812,500,000	48.03%
China Huada *(Note 1)*	393,680,000	23.27%
CEC *(Notes 1 and 2)*	1,206,180,000	71.30%
SDIC High-Tech Investment Co., Ltd *(Note 1)*	393,680,000	23.27%
The State Development and Investment Corporation *(Note 1)*	393,680,000	23.27%

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

Notes:

(1) The equity interest of China Huada is contributed as to 50% by CEC and as to 50% by SDIC High-Tech Investment Co., Ltd. SDIC High-Tech Investment Co., Ltd is a wholly-owned subsidiary of The State Development and Investment Corporation, which is a state-owned investment holding company established under the laws of the PRC. By virtue of the SFO, CEC, SDIC High-Tech Investment Co., Ltd and The State Development and Investment Corporation are deemed to be interested in the 393,680,000 shares of the Company held by China Huada.

(2) CEC holds 100% interest in CEC (BVI) and is deemed to be interested in the shares of the Company held by CEC (BVI).

Save as disclosed above, there is no person known to the Directors or the chief executive of the Company who, as at the Latest Practicable Date, had, or was deemed to have, an interest or short position in the shares or the underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 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 member of the Group, or any option in respect of such capital.

DIRECTORS' SERVICE CONTRACTS

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

EXPERTS AND CONSENTS

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

Name	Qualification
Altus Capital	A licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
CCBI	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
DTZ	Property valuer
PricewaterhouseCoopers	Certified Public Accountants

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

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

Since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, each of the Experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

COMPETING INTEREST

Mr. Rui Xiaowu, the Chairman of the Company and a non-executive Director, is the chairman of CEC. Mr. Zhao Guiwu, the Vice Chairman of the Company and a non-executive Director, is the chairman of Shanghai Belling Co., Ltd, the chairman of Shanghai Huahong Integrated Circuit Co., Ltd, the vice chairman of Shanghai Huahong (Group) Co., Ltd, a director of Hua Hong Semiconductor Ltd, and a director of Shanghai Huahong NEC Electronics Company Ltd. Mr. Liu Jinping, an executive Director, is the general manager of China Huada and the chairman of Nationz Technologies Inc.

Currently, the abovementioned companies are engaging in, or having subsidiaries or associates engaging in, integrated circuits related businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

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

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

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

MATERIAL CONTRACTS

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

(a) the 2013-2016 business services agreement dated 7 May 2013 and entered into between CEC and the Company, the details of which can be referred to in the announcement of the Company dated 7 May 2013;

(b) the 2013-2016 comprehensive financial services agreement dated 7 May 2013 and entered into between the Company and CEC Finance, the details of which can be referred to in the announcement of the Company dated 7 May 2013; and

(c) the Equity Transfer Agreement.

LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

MISCELLANEOUS

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

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

(c) Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at King & Wood Mallesons, 13th floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including 13 September 2013 and at the SGM:

(a) the bye-laws of the Company;

(b) the Equity Transfer Agreement;

(c) the 2013-2016 business services agreement dated 7 May 2013 and entered into between CEC and the Company, the details of which can be referred to in the announcement of the Company dated 7 May 2013;

(d) the 2013-2016 comprehensive financial services agreement dated 7 May 2013 and entered into between the Company and CEC Finance, the details of which can be referred to in the announcement of the Company dated 7 May 2013;

(e) the equity transfer agreement dated 24 April 2013 and entered into between CEC Technology and ChinaSoft, pursuant to which CEC Technology agreed to acquire and ChinaSoft agreed to sell 12.99% equity interest in CEC Xi'an at a consideration of RMB18 million;

(f) the equity transfer agreement dated 31 July 2013 and entered into between CEC Technology and 6th Research Institute, pursuant to which CEC Technology agreed to acquire and 6th Research Institute agreed to sell 25.97% equity interest in CEC Xi'an at a consideration of RMB36 million;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 30 to 31 of this circular;

(h) the letter from Altus Capital, the text of which is set out on pages 32 to 63 of this circular;

(i) the accountant's reports of the Target Group and CEC Xi'an from PricewaterhouseCoopers, the text of which are set out in Appendices IIIA and IIIB to this circular, respectively;

(j) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(k) the property valuation report on the property interests of the Target Group prepared by DTZ, the text of which are set out in Appendix V to this circular;

(l) the written consents as referred to under the paragraph headed "Experts and consents" in this appendix;

(m) the annual reports of the Company for the financial years ended 31 December 2011 and 2012;

(n) this circular;

(o) the circular dated 28 May 2013 in respect of (1) major transaction and continuing connected transactions; and (2) proposed reduction of share premium and payment of special dividend; and

(p) the circular dated 19 September 2011 in respect of (1) continuing connected transactions with CEC Group: revision of the annual caps for the service charges payable pursuant to the 2010-2013 Business Services Agreement; and (2) re-election of director.

CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

中國電子集團控股有限公司*

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

(Stock Code: 00085)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "Meeting") of the shareholders of China Electronics Corporation Holdings Company Limited (the "Company") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 11 October 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

1. "**THAT** the equity transfer agreement dated 5 July 2013 and entered into between the Company as purchaser and China Electronics Corporation Limited（中國電子信息產業集團有限公司）as vendor (the "Equity Transfer Agreement", details of which are set out in the circular of the Company dated 28 August 2013), in respect of the sale and purchase of the 100% equity interest in China Electronics Technology Development Co., Ltd（中國電子科技開發有限公司）, at a consideration of RMB600 million, be and is hereby approved, and any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company which he considers necessary or expedient to give effect to the Equity Transfer Agreement and the transactions contemplated thereunder."

2. "**THAT** the continuing connected transactions contemplated under the CEC Technology financial services agreement proposed to be entered into between China Electronics Technology Development Co., Ltd（中國電子科技開發有限公司）("CEC Technology") and China Electronics Financial Co., Ltd（中國電子財務有限責任公司）(the "CEC Technology Financial Services Agreement"), and the proposed caps of the transactions thereunder be and are hereby approved, and any one director of the Company and/or CEC Technology be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company and/or

* *For identification purpose only*

CEC Technology which he considers necessary or expedient to give effect to the CEC Technology Financial Services Agreement and the continuing connected transactions contemplated thereunder."

By Order of the Board
China Electronics Corporation Holdings Company Limited
Ng Kui Kwan
Company Secretary

Hong Kong, 28 August 2013

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

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

Notes:

1. The register of members of the Company will be closed from 9 October 2013 to 11 October 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Meeting, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 October 2013.

2. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a shareholder of the Company but must be present in person at the Meeting to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the Meeting or any adjournment thereof, should he so wish.

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