



CHINA E-INFORMATION TECHNOLOGY GROUP LIMITED
中國網絡信息科技集團有限公司

(Formerly known as China E-Learning Group Limited 中國網絡教育集團有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 08055)

2017

Interim Report



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of China E-Learning Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

RESULTS

The board (the “Board”) of directors (“Directors”) of China E-Learning Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months and three months ended 30 June 2017, together with the comparative unaudited figures of the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover	3	33,894	30,168	17,570	20,265
Cost of sales		(12,983)	(13,222)	(8,396)	(8,882)
Gross profit		20,911	16,946	9,174	11,383
Other income	4	266	37	43	37
Other expenses	5	(206)	(18,456)	(206)	2,370
Share based payment expense		(28,905)	–	(28,905)	–
Administrative expenses		(24,747)	(16,282)	(12,226)	(10,290)
(Loss)/profit from operations		(32,681)	(17,755)	(32,120)	3,500
Finance costs	6	(604)	(273)	(450)	(147)
Share of result of investments in associates		389	–	389	–
(Loss)/profit before tax	7	(32,896)	(18,028)	(32,181)	3,353
Income tax	8	–	–	–	–
(Loss)/profit for the period		(32,896)	(18,028)	(32,181)	3,353
Attributable to:					
Owners of the Company		(40,722)	(24,208)	(35,073)	162
Non-controlling interests		7,826	6,180	2,892	3,191
		(32,896)	(18,028)	(32,181)	3,353
Loss per share attributable to owners of the Company (HK cents)					
– Basic	10	(1.21)	(0.82)	(1.01)	(0.02)
– Diluted	10	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 30 June 2017		(Unaudited) For the three months ended 30 June 2017	
	2016 HK\$'000	2016 HK\$'000	2016 HK\$'000	2016 HK\$'000
(Loss)/profit for the period	(32,896)	(18,028)	(32,181)	3,353
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	(1,790)	(1,418)	(1,608)	(1,939)
Total comprehensive (loss)/income for the period	(34,686)	(19,446)	(33,789)	1,414
Attributable to:				
Owners of the Company	(42,512)	(25,626)	(36,681)	(1,777)
Non-controlling interests	7,826	6,180	2,892	3,191
	(34,686)	(19,446)	(33,789)	1,414

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		7,592	1,401
Investments in associates		151,968	50,000
Goodwill		14,246	–
		173,806	51,401
Current assets			
Financial asset at fair value through profit or loss		617	7,952
Other receivables	11	99,737	85,050
Cash and cash equivalents		34,781	51,128
		135,135	144,130
TOTAL ASSETS		308,941	195,531
Current liabilities			
Trade and other payables	12	26,520	32,560
Convertible notes		–	9,396
		26,520	41,956
TOTAL LIABILITIES		26,520	41,956
NET CURRENT ASSETS		108,615	102,174
NET ASSETS		282,421	153,575
CAPITAL AND RESERVE			
Share capital	13	356,590	330,498
Reserves		(88,291)	(183,219)
Non-controlling interests		14,122	6,296
TOTAL EQUITY		282,421	153,575

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(41,662)	(20,664)
Net cash outflow from investing activities	(27,739)	(25,220)
Net cash inflow from financing activities	52,812	12,527
Decrease in cash and cash equivalents	(16,589)	(33,357)
Cash and cash equivalents at the beginning of period	51,128	64,061
Effect of exchange rate changes	242	(905)
Cash and cash equivalents at the end of period	34,781	29,799
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	34,781	29,799

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	(Unaudited)									
	Convertible							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share-based payment reserve	Exchange fluctuation reserve	notes equity reserve	PRC staff award fund reserve	Accumulated losses			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As of 1 January 2016	294,510	228,254	30,544	8,341	-	6,558	(397,084)	171,123	6,585	177,708
(Loss)/profit of the period	-	-	-	-	-	-	(24,208)	(24,208)	6,180	(18,028)
Other comprehensive loss	-	-	-	(1,418)	-	-	-	(1,418)	-	(1,418)
Total comprehensive (loss)/income for the period	-	-	-	(1,418)	-	-	(24,208)	(25,626)	6,180	(19,446)
Exercise of share options	1,000	2,476	(676)	-	-	-	-	2,800	-	2,800
Issue of convertible notes	-	-	-	-	1,174	-	-	1,174	-	1,174
As of 30 June 2016	295,510	230,730	29,868	6,923	1,174	6,558	(421,292)	149,471	12,765	162,236
As of 1 January 2017	330,498	287,747	57,070	8,652	1,174	8,958	(546,820)	147,279	6,296	153,575
(Loss)/profit of the period	-	-	-	-	-	-	(40,722)	(40,722)	7,826	(32,896)
Other comprehensive income	-	-	-	(1,790)	-	-	-	(1,790)	-	(1,790)
Total comprehensive (loss)/income for the period	-	-	-	(1,790)	-	-	(40,722)	(42,512)	7,826	(34,686)
Exercise of share options	10,700	23,207	(7,022)	-	-	-	-	26,885	-	26,885
Issue of convertible notes	-	-	-	-	107,742	-	-	107,742	-	107,742
Issue of share options	-	-	28,905	-	-	-	-	28,905	-	28,905
Redemption of convertible notes	-	-	-	-	(1,174)	-	1,174	-	-	-
Conversion of convertible notes	15,392	27,705	-	-	(43,097)	-	-	-	-	-
As of 30 June 2017	356,590	338,659	78,953	6,862	64,645	8,958	(586,368)	268,299	14,122	282,421

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The Group is principally engaged in the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations (the "standards") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2016. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2016. The adoption of these new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early adopted the new and revised standards that have been issued but are not yet effective. The directors anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.

3. TURNOVER

Turnover represents revenue of the Group from the provision of distance learning programs and education consultation.

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	45	37	21	37
Sundry income	29	-	22	-
Gain on sale of financial assets	192	-	-	-
	266	37	43	37

5. OTHER EXPENSES

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net realised loss on financial assets at fair value through profit or loss	-	(223)	-	-
Net unrealised (loss)/profit on financial assets of fair value through profit or loss	(206)	(18,233)	(206)	2,370
	(206)	(18,456)	(206)	2,370

6. FINANCE COSTS

Finance costs represent interest expenses on financial liabilities measured at amortised cost.

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of plant and equipment	719	834	418	436
Staff costs (including directors' emoluments)	7,547	5,467	3,739	2,547

8. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group did not generate any taxable profits in Hong Kong for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. No provision for PRC enterprise income tax has been made as the subsidiary that generated income for the period is a tax-exempted entity in the PRC.

9. DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2017 (2016: nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited (loss)/profit for the period for the purpose of basic and diluted loss per share	(40,722)	(24,208)	(35,073)	162
	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
Number of shares	2017	2016	2017	2016
Weighted average number of ordinary shares for the purpose of basic loss per share	3,352,814,355	2,946,037,262	3,400,123,666	2,946,971,327
Weighted average number of ordinary shares for the purpose of diluted loss per share	N/A	N/A	N/A	N/A

No diluted loss per share has been presented for the six months and three months ended 30 June 2017 because the Company's outstanding options and convertible loan notes outstanding during the six months and three months ended 30 June 2017 had an anti-dilutive impact.

11. OTHER RECEIVABLES

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
Deposits and other receivables	166,236	145,225
Prepayments	3,954	11,166
Less: impairment losses	(70,453)	(71,341)
	99,737	85,050

12. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
Trade payable	261	543
Other payables	14,990	14,040
Receipts in advance	6,912	16,042
Accrued charges	4,357	1,935
	26,520	32,560

The aging analysis of trade payable as at the end of reporting period is as follows:

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
Within 30 days	-	468
31 to 60 days	-	-
61 to 90 days	-	-
Over 90 days	261	75
	261	543

The carrying amounts of the trade and other payable approximate their fair values.

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.1 each		
Authorised		
At 1 January 2017	50,000,000,000	5,000,000
At 30 June 2017	50,000,000,000	5,000,000
Issued and fully paid		
At 1 January 2017	3,304,979,386	330,498
Exercised of share options	107,000,000	10,700
Conversion of convertible note	153,917,647	15,392
At 30 June 2017	3,565,897,033	356,590

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2017 (31 December 2016: Nil).

15. COMMITMENTS

At 30 June 2017, the Group had the following commitments in respect of operating leases of rented premises and office equipment:

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
Within one year	6,226	4,302
In the second to fifth years inclusive	7,927	1,296
	14,153	5,598

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's turnover in the first half of the year was 12% more than the same period last year. The medical education core business remains stable.

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group recorded revenue of approximately HK\$33,894,000 (2016: HK\$30,168,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$20,911,000 (2016: HK\$16,946,000), representing a gross profit margin of 62% for the period under review.

During the period, cost of sales was approximately HK\$12,983,000 (2016: HK\$13,222,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$266,000 (2016: HK\$37,000) representing an interest income of approximately HK\$45,000 (2016: HK\$37,000). Sundry income of approximately HK\$29,000 (2016: HK\$22,000), a gain on sale of financial assets of approximately HK\$192,000 (2016: Nil).

Other expenses for the period under review amounted to approximately HK\$206,000 (2016: HK\$18,456,000) representing net unrealised loss on financial assets of fair value through profit or loss of approximately HK\$206,000 (2016: HK\$18,233,000). In 2016, a net realised loss on financial assets at fair value through profit or loss of approximately HK\$223,000).

Administrative expenses for the period under review were approximately HK\$53,652,000 (2016: HK\$16,282,000), of which staff related costs were approximately HK\$7,547,000 (2016: HK\$5,467,000). Share based payment expense amounted to approximately HK\$28,905,000 was recognized during the period as a total 330,000,000 share options were granted on 17 May 2017. Other major expenses include rental, which was approximately HK\$1,508,000 (2016: HK\$1,020,000); consultancy fees, which were approximately HK\$3,015,000 (2016: HK\$727,000); and depreciation charges, which were approximately HK\$719,000 (2016: HK\$834,000) during the period under review.

Finance costs during the period were approximately HK\$604,000 (2016: HK\$273,000), and the consolidated loss for the period was approximately HK\$32,896,000 (2016 loss HK\$18,028,000).

OUTLOOK

The Group's existing e-learning business will remain the core business and main cash generator in the near future. This business is expected to grow in a rather stable manner.

As usual, the Group will implement certain cost-effective measures to streamline the operation so as to enhance the profitability and value of this e-learning business. The Company will continue to look for opportunities for our existing business, particularly in developing both vertically and horizontally within the Group's existing medical education platform, expanding further into our service network, increase the shareholders' value and reduce business risk.

On 20 March 2017 the Company and Zhong He Xin Yuan Technology Company Limited* 中核新源科技有限公司 (“ZHXY”) entered into a strategic cooperation agreement. ZHXY is a company incorporated with limited liability in the People's Republic of China and is a member of the China Nuclear Industry Group* 中國核工業集團. Zhong He Xin Yuan owns the core technologies in the application of nuclear technologies, including but not limited to the design and setting of the standards of irradiation station, and in the manufacturing and application of irradiation accelerators. The reason for the signing of the Strategic Cooperation Agreement and the cooperation with Zhong He Xin Yuan will enable the Company to venture into the business of irradiation. Details of which were disclosed in the announcement of the Company dated 20 March 2017.

On 19 June 2017, China Nuclear Resources Group Co., Ltd. (中核資源集團有限公司), North Sheng Da (Beijing) Technical Trading Co., Ltd. (北方盛達(北京)科貿有限公司), Beijing Hua Tuo Education Technology Company Limited (北京華拓教育科技有限公司) (a wholly-owned subsidiary of the Company), and Beijing Yuan Yin Due Diligence and Consulting Co., Ltd. (北京元音盡調諮詢有限公司) entered into a cooperation agreement in relation to the joint investment in and the establishment of Nuclear Inspection Electron Beam Technology Co., Ltd. (核檢電子束技術有限公司). Details of which were disclosed in the announcement of the Company dated 19 June 2017.

On 7 August 2017, Nuclear Inspection Electron Beam Technology Co., Ltd., a company jointly invested and established by China Nuclear Resources Group Co., Ltd., North Sheng Da (Beijing) Technical Trading Co., Ltd., Beijing Yuan Yin Due Diligence and Consulting Co., Ltd. and Beijing Hua Tuo Education Technology Company Limited (a wholly-owned subsidiary of the Company), entered into the Cooperation Agreement in relation to an irradiation (or electron beam) quarantine treatment technology application project (the “Cooperation Project”) with Chinese Society of Inspection and Quarantine and Tianjin Port Inspection and Analysis Development Services Co., Ltd.. Details of which were disclosed in the announcement of the Company dated 8 August 2017.

On 9 May 2017, the Company entered into a Memorandum of Cooperation with Ms. Zhang Manlin, being holder of Beijing Huada Kanghong Biotechnology Co., Ltd. (北京華達康弘生物科技有限责任公司) (the "Target Company I") as to 30%, Mr. Yao Xianguo, being holder of the Target Company I as to 30%, and Mr. Zhujiang, being holder of the Target Company I as to 40%, (collectively hold in aggregate 100% equity interest of the Target Company I), in relation to the possible transfer of not less than 65% of the equity interest of the Target Company I to the Company and other cooperation projects. The Target Company I is a limited company incorporated in the People's Republic of China. It is principally engaged in the business of prepackaged food wholesale and biotechnology development. The consideration has not yet been determined but shall be determined with reference to the value of the Target Company I to be assessed by an independent professional valuer to be appointed by the Parties and may be satisfied by the Company's issue of convertible notes, and the price for issuing such Shares and the conversion price of such convertible notes shall not lower than HK\$0.225 per Share. The reason for the possible transfer was for the Company to develop the health food market. Details of which were disclosed in the announcement of the Company dated 9 May 2017.

The Company changed the English name of the Company from "China E-Learning Group Limited" to "China E-Information Technology Group Limited", and changed the dual foreign name in Chinese of the Company from "中國網絡教育集團有限公司" to "中國網絡信息科技集團有限公司".

On 12 May 2017, the special resolution passed at the EGM in relation Company change name.

For detailed information regarding the change of Company name and the result of special resolution, please refer to the announcement of the Company dated 12 April 2017 and 12 May 2017.

Company's principal place of business in Hong Kong will be changed to Unit 2609-10, 26/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong with effect from 18 July 2017. Details of which were disclosed in the announcement of the Company dated 18 July 2017.

Under the terms of the agreement dated 29 December 2016 for the Company's acquisition of the entire issued share capital of Maxi Trick Investment Limited and all indebtedness owing by Maxi Trick Investment Limited to Joyful Area Worldwide Limited (the "MT Agreement"), if any of the conditions precedent to completion of the MT Agreement (the "Conditions") have not been fulfilled or waived on the day falling 6 months after the date of the MT Agreement (the "Long Stop Date"), the MT Agreement will be terminated forthwith and the parties to the MT Agreement shall not have any claim against each other, save and except any antecedent breaches.

Since there were Conditions which had not been fulfilled or waived on 29 June 2017, being the Long Stop Date, the MT Agreement had been terminated forthwith.

The Directors consider that the termination of the MT Acquisition will not have any material adverse effect on the financial position or the business operation of the Group.

Details of which were disclosed in the announcement of the Company dated 20 July 2017.

On 25 July 2017, the Company entered into the Placing Agreement with each of the Placees respectively, pursuant to which, the Company conditionally agreed to issue, and the Placees conditionally agreed to subscribe for, an aggregate of 660,000,000 Warrants at the Issue Price of HK\$0.03 per Warrant. Each Warrant carries the right to subscribe for one Warrant Share at the Subscription Price of HK\$0.40 per Warrant Share during the Subscription Period. Details of which were disclosed in the announcement of the Company dated 25 July 2017.

In addition, the Company will continue to look for other attractive investments in the PRC and locally in an attempt to diversify into different business areas to reduce the reliance upon existing e-learning business and strengthen the positive cash flow and earnings for the Group in the long run.

Liquidity and financial resources

As at 30 June 2017, the Group had current assets of approximately HK\$135 million including cash and bank balances of approximately HK\$35 million, and the Group did not have any bank borrowings. Total assets were approximately HK\$309 million and total liabilities were approximately HK\$27 million, representing a gearing ratio (expressed as total liabilities to total assets) of approximately 0.09, as compared with approximately 0.21 at the beginning of the year 2017.

Share capital

As at 30 June 2017, the authorized share capital of the Company was HK\$5,000,000,000 divided into 50,00,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$356,590,000 divided into 3,565,897,033 shares of HK\$0.10 each.

Convertible Notes

Convertible Notes 2018

On 18 December 2015 (after trading hours), the Company entered into the Subscription Agreement with Ms. Li Jing, pursuant to the Subscription Agreement, the Company has agreed to issue, and Ms. Li Jing has agreed to subscribe for the Convertible Notes with an aggregate principal amount of HK\$10,000,000 for a total consideration of HK\$10,000,000, all of which shall be setoff in full against the equivalent amount of indebtedness owing by the Company to Ms. Li Jing under EICN at the Completion.

Completion of the issue of the Convertible Notes 2018 (CN2018) in the aggregate principal amount of HK\$10,000,000 took place on 13 January 2016.

On 8 June 2017, the Company has fully redeemed the CN2018 with the principal amount of HK\$10,000,000 in accordance with notice from the holder.

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. As the exchange rate between Hong Kong dollars and Renminbi is relatively stable and the expenditure in the People's Republic of China ("PRC") was covered by the sales in the PRC, the management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 30 June 2017, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

Significant investments

On 11 October 2016 and 24 October 2016, the Company entered into the Sale and Purchase Agreement and Supplemental Agreement with the Vendor in relation to the acquisition of 49% equity interest in Beijing Youli Lianxu Technology Company Limited.

For detailed information regarding the transaction of Beijing Youli Lianxu Technology Company Limited, please refer to the announcement of the Company dated 11 October 2016 and 24 October 2016.

On 25 April 2017, the Company was completed with the terms and conditions of the Sale and Purchase Agreement and Supplemental Agreement.

For detailed information regarding the completion of transaction, please refer to the announcement of the Company dated 25 April 2017.

Charges on the Group's assets

There were no material charges on the Group's assets as at 30 June 2017.

Employees Information

As at 30 June 2017, the Group had a total of 25 employees (2016: 27 employees) (including executive directors). During the period under review, the total staff costs amount to approximately HK\$7,547,000 (2016: approximately HK\$5,467,000), representing an increase of approximately 38% over the prior period.

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contribution to the mandatory provident fund and share options.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2017, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares or underlying shares of the Company

Name of Directors and chief executive	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary Share	Shares Options	Total	
Yuan Wei (<i>Executive Director</i>)	Beneficial owner	-	33,000,000	33,000,000	0.92%
Zhang Jianxin (<i>Executive Director</i>)	Beneficial owner	-	10,000,000	10,000,000	0.28%
Wang Weihua (<i>Executive Director</i>)	Beneficial owner	168,224,000	33,000,000	201,224,000	5.64%
Zheng Zhijing (<i>Executive Director</i>)	Beneficial owner	-	10,000,000	10,000,000	0.28%
Huang Chung Hsing (<i>Independent Non-executive Director</i>)	Beneficial owner	-	3,000,000	3,000,000	0.08%
Li Qunsheng (<i>Independent Non-executive Director</i>)	Beneficial owner	-	3,000,000	3,000,000	0.08%
Li Ya Ru (<i>Independent Non-executive Director</i>)	Beneficial owner	-	3,000,000	3,000,000	0.08%
Wang Hui (<i>Chief Executive Officer</i>)	Beneficial owner	1,000,000	38,377,306	39,377,306	1.10%

Save as disclosed above, as at 30 June 2017, none of the other Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of Shareholder	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Atlantis Capital Holdings Limited (note 1)	Investment manager	393,080,000	11.02%
Liu Yang (note 2)	Interest of a controlled corporation	393,080,000	11.02%
Atlantis Investment Management (Hong Kong) Limited (note 1)	Investment manager	393,080,000	11.02%
Atlantis Investment Management (Ireland) Limited (note 1)	Investment manager	210,000,000	5.88%
Riverwood Asset Management (Cayman) Ltd. (note 2)	Investment manager	196,048,000	5.49%

Notes: 1 Pursuant to the disclosure of interests notices filed by each of Ms. Liu Yang and Atlantis Capital Holdings Limited, Atlantis Investment Management (Hong Kong) Limited ("Atlantis (Hong Kong)") and Atlantis Investment Management (Ireland) Limited ("Atlantis (Ireland)") were disclosed as having interest in 393,080,000 shares and 210,000,000 shares of the Company respectively. Atlantis (Hong Kong) and Atlantis (Ireland) are indirect wholly-owned and direct wholly-owned by Ms. Liu Yang and Atlantis Capital Holdings Limited respectively. Therefore, Ms. Liu Yang and Atlantis Capital Holdings Limited are deemed to be interested in the shares held by Atlantis (Hong Kong) and Atlantis (Ireland).

2 Pursuant to the disclosure of interests notices filed by Riverwood Asset Management (Cayman) Ltd, Riverwood Asset Management (Cayman) Ltd was disclosed as having interest in 196,048,000 shares of the Company and was a wholly-owned subsidiary of Ms. Liu Yang. Therefore, Ms. Liu Yang is deemed to be interested in the shares held by Riverwood Asset Management (Cayman) Ltd.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with all the Code on Corporate Governance Practices as set out in Appendix 15 in the GEM Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors, substantial shareholders of the Company and their respective associates had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed Securities during the six months ended 30 June 2017.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2017, the committee comprised three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 23 March 2005 with major functions of (i) making recommendations to the Board on the Company's policies and structure for the remuneration of Directors and senior management of the Group; and (ii) determining the remuneration packages of all Directors and senior management of the Group; and (iii) reviewing and approving the performance-based remuneration. The remuneration committee of the Company is chaired by Mr. Yuan Wei. Other members include Mr. Li Qunsheng and Ms. Li Ya Ru Nancy. The majority of the members of the remuneration committee are independent non-executive directors.

NOMINATION COMMITTEE

The nomination committee of the Company was established on 23 March 2012. The function of the nomination committee is to identify individual suitably qualified to become director and make recommendation to the Board on the appointment, re-appointment and re-designation of directors. The nomination committee of the Company is chaired by Mr. Yuan Wei. Other members include Mr. Li Qunsheng and Dr. Huang Chung Hsing. The majority of the members of the nomination committee are independent non-executive directors.

By order of the Board
China E-Information Technology Group Limited
Yuan Wei
Executive Director

Hong Kong, 14 August 2017

As at the date of this report, the Board comprises five executive Directors, namely Mr. Yuan Wei, Mr. Wong Wai Wa, Ms. Zhang Jianxin, Mr. Zheng Zhijing and Ms. Lin Yan; and three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru.

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

This report will remain on the GEM website at www.hkgem.com on the "Latest Company Reports" page and the website of the Company at www.irasia.com/listco/hk/chieinfotech/ for at least 7 days from the date of its publication.