



CHINA E-INFORMATION TECHNOLOGY GROUP LIMITED

中國網絡信息科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號: 08055)

2019

Interim Report



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This report, for which the directors (the “Directors”) of China E-Information Technology 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 of Hong Kong Limited 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-Information Technology 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 2019, together with the comparative unaudited figures of the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Turnover	3	36,955	34,238	13,998	4,523
Cost of sales		(14,782)	(14,072)	(5,599)	(2,935)
Gross profit		22,173	20,166	8,399	1,588
Other income	5	1,310	86	712	45
Other expenses	6	(4,155)	(140)	(3,713)	(68)
Administrative expenses		(25,523)	(31,592)	(12,345)	(12,298)
Loss from operations		(6,195)	(11,480)	(6,947)	(10,733)
Finance costs	7	(6,729)	(4,667)	(3,507)	(2,436)
Share of result of investment in an associate		(2,000)	921	(3,126)	583
Loss before tax	8	(14,924)	(15,226)	(13,580)	(12,586)
Income tax	9	-	-	-	-
Loss for the period		(14,924)	(15,226)	(13,580)	(12,586)
Attributable to:					
Owners of the Company		(24,651)	(24,165)	(17,313)	(14,160)
Non-controlling interests		9,727	8,939	3,733	1,574
		(14,924)	(15,226)	(13,580)	(12,586)
Loss per share attributable to owners of the Company (HK cents)					
- Basic	11	(0.66)	(0.65)	(0.46)	(0.38)
- Diluted	11	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss for the period	(14,924)	(15,226)	(13,580)	(12,586)
Other comprehensive loss:				
Exchange difference arising on translation of foreign operations	(1,267)	(1,495)	(1,370)	(6,098)
Total comprehensive loss for the period	(16,191)	(16,721)	(14,950)	(18,684)
Attributable to:				
Owners of the Company	(25,918)	(25,660)	(18,683)	(20,258)
Non-controlling interests	9,727	8,939	3,733	1,574
	(16,191)	(16,721)	(14,950)	(18,684)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2019 HK\$'000	(Audited) 31 December 2018 HK\$'000
Non-current assets			
Financial assets at fair value through profit or loss		14,137	15,107
Property, plant and equipment		8,578	9,588
Right-of-use assets		6,141	–
Investment in an associate		49,035	51,000
		77,891	75,695
Current assets			
Contingent consideration receivable		11,261	14,619
Other receivables	12	88,456	88,374
Financial assets at fair value through profit or loss		334	507
Cash and cash equivalents		58,922	70,898
		158,973	174,398
TOTAL ASSETS		236,864	250,093
Current liabilities			
Convertible notes		41,266	–
Lease liabilities		5,679	–
Other payables	13	19,496	29,249
		66,441	29,249
Non-current liabilities			
Convertible notes		–	34,645
Lease liabilities		415	–
Deferred tax liabilities		5,891	5,891
		6,306	40,536
TOTAL LIABILITIES		72,747	69,785
NET CURRENT ASSETS		92,532	145,149
NET ASSETS		164,117	180,308
CAPITAL AND RESERVE			
Share capital	14	375,130	375,130
Reserves		(238,418)	(212,500)
Non-controlling interests		27,405	17,678
TOTAL EQUITY		164,117	180,308

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(11,803)	26,677
Net cash inflow from investing activities	1,247	63,371
Net cash (outflow)/inflow from financing activities	(108)	42,530
(Decrease)/increase in cash and cash equivalents	(10,664)	132,578
Cash and cash equivalents at the beginning of period	70,898	20,767
Effect of exchange rate changes	(1,312)	(1,495)
Cash and cash equivalents at the end of period	58,922	151,850
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	58,922	151,850

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	(Unaudited)									
	Share capital	Share premium	Share-based payment reserve	Exchange fluctuation reserve	Convertible			Accumulated losses	Total	Non-controlling interests
equity reserve					PRC staff award fund	reserves				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 1 January 2018	356,590	332,783	78,953	9,194	29,815	11,730	(622,189)	196,876	5,849	202,725
(Loss)/profit of the period	-	-	-	-	-	-	(24,165)	(24,165)	8,939	(15,226)
Other comprehensive loss	-	-	-	(1,495)	-	-	-	(1,495)	-	(1,495)
Total comprehensive (loss)/income for the period	-	-	-	(1,495)	-	-	(24,165)	(25,660)	8,939	(16,721)
Exercise of share options	5,540	17,204	(6,215)	-	-	-	-	16,529	-	16,529
Issue of share by placing	13,000	32,500	-	-	-	-	-	45,500	-	45,500
As of 30 June 2018	375,130	382,487	72,738	7,699	29,815	11,730	(646,354)	233,245	14,788	248,033
As of 1 January 2019	375,130	382,487	69,818	3,762	29,815	11,730	(710,112)	162,630	17,678	180,308
(Loss)/profit of the period	-	-	-	-	-	-	(24,651)	(24,651)	9,727	(14,924)
Other comprehensive loss	-	-	-	(1,267)	-	-	-	(1,267)	-	(1,267)
Total comprehensive (loss)/income for the period	-	-	-	(1,267)	-	-	(24,651)	(25,918)	9,727	(16,191)
As of 30 June 2019	375,130	382,487	69,818	2,495	29,815	11,730	(734,763)	136,712	27,405	164,117

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 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 2019 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 interim condensed consolidated financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2018. 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 2019. Except to the adoption of HKFRS 16 Leases as stated in the following, the adoption of these new and revised standards, amendments and interpretations does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

Effect of HKFRS 16, Leases

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated income statement over the lease period on a straight-line basis.

HKFRS 16 introduces an on-balance sheet lease accounting model for leases. HKFRS 16 requires a lessee to recognise almost all leases on the statement of financial position which will reflect their "right-of-use" for a period of time and their associated liability for payments. There are recognition exemptions for short-term leases and leases of low-value items.

On adoption of HKFRS 16, the Group recognised the lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated income statement in the period in which it is incurred using effective interest method.

The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. After reviewing the leases, there is no change on the opening balance of retained earnings and equity at the date of initial application of HKFRS 16.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position. Depreciation on right-of-use assets and interest of lease liabilities are recognised in the profit or loss under HKFRS 16.

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. OPERATING SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group is currently having one continuing operating segment on a single business in a single geographical location, which is the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

5. OTHER INCOME

	(Unaudited) For the six months ended		(Unaudited) For the three months ended	
	30 June 2019 HK\$'000	2018 HK\$'000	30 June 2019 HK\$'000	2018 HK\$'000
Interest income	1,247	70	649	29
Sundry income	63	16	63	16
	1,310	86	712	45

6. OTHER EXPENSES

	(Unaudited) For the six months ended		(Unaudited) For the three months ended	
	30 June 2019 HK\$'000	2018 HK\$'000	30 June 2019 HK\$'000	2018 HK\$'000
Net unrealised loss on financial assets at fair value through profit or loss	1,143	140	701	68
Fair value change of contingent consideration receivable	3,012	–	3,012	–
	4,155	140	3,713	68

7. FINANCE COSTS

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

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,429	1,193	715	571
Depreciation of right-of-use assets	2,788	–	1,437	–
Staff costs (including directors' emoluments)	10,655	9,241	5,423	4,870

9. 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.

10. DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2019 (2018: nil).

11. 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)		(Unaudited)	
	For the six months ended		For the three months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited loss for the period for the purpose of basic and diluted loss per share	(24,651)	(24,165)	(17,313)	(14,160)

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30 June		30 June	
Number of shares	2019	2018	2019	2018
Weighted average number of ordinary shares for the purpose of basic loss per share	3,751,297,033	3,699,227,420	3,751,297,033	3,751,297,033
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 2019 and 30 June 2018 because the Company's outstanding share options and convertible notes during the six months and three months ended 30 June 2019 and 30 June 2018 have an anti-dilutive impact.

12. OTHER RECEIVABLES

	(Unaudited) 30 June 2019 HK\$'000	(Audited) 31 December 2018 HK\$'000
Deposits and other receivables	150,630	145,887
Deferred expenses	3,983	8,551
Prepayments	2,639	2,774
Less: impairment losses	(68,796)	(68,838)
	88,456	88,374

13. OTHER PAYABLES

	(Unaudited) 30 June 2019 HK\$'000	(Audited) 31 December 2018 HK\$'000
Other payables	4,679	5,629
Receipts in advance	9,959	21,377
Accrued charges	4,858	2,243
	19,496	29,249

The carrying amounts of the other payables approximate their fair values.

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.1 each		
Authorised:		
At 1 January 2019 and 30 June 2019	50,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2019 and 30 June 2019	3,751,297,033	375,130

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2019 (31 December 2018: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

(i) Grant of share options

On 2 July 2019, a total of 375,100,000 share options (the "Share Options") were granted by the Company to certain eligible participants (the "Grantees") to subscribe for ordinary shares of HK\$0.1 each of the Company (the "Shares") pursuant to the share option scheme adopted by the Company on 23 May 2011, subject to acceptance of the Grantees.

The exercise price of Share Options granted is HK\$0.155 per Share, which represents the highest of (i) HK\$0.144, being the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) HK\$0.155, being the average of the closing prices of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) HK\$0.1, being the nominal value of each Share.

The consideration for the grant of the Share Options is HK\$1 to be paid by each of the Grantees upon acceptance of the Share Options granted. The validity and exercise period of the Share Options is 10 years from the date of grant.

Among the above 375,100,000 Share Options granted, a total of 46,600,000 Share Options were granted to the directors and chief executive.

Details regarding the grant of share options were set out in the announcement of the Company dated 2 July 2019.

(ii) Non-fulfillment of 2018 profit target of Beijing Youli Lianxu Technology Company Limited

After the reporting period, the Company has received the audited financial statements of Beijing Youli Lianxu Technology Company Limited ("Beijing Youli") for the period from 1 April 2018 to 31 March 2019, Beijing Youli fails to meet the 2018 Profit Target (being the net profit after tax of Beijing Youli for the period from 1 April 2018 to 31 March 2019 in the amount of HK\$15,120,000), the consideration payable to the vendors shall be reduced by approximately HK\$11,261,429. After the reduction, the aggregate outstanding principal amount of Convertible Notes 2020 was approximately HK\$43,687,171. The exercise in full of the vested conversion rights would result in the issue and allotment of approximately 183,559,542 new shares of the Company.

(iii) Execution of Memorandum of Cooperation with Eastern Art Holdings PTE Limited

On 5 August 2019, Sinzhongyi Consultancy PTE Ltd. (新中醫諮詢服務有限公司) ("Sinzhongyi", a wholly-owned subsidiary of the Company) and Eastern Art Holdings PTE Limited (東方藝術控股私人有限公司) ("Eastern Art") entered into a memorandum of cooperation (the "Memorandum of Cooperation") in relation to the cooperation on the development of a traditional Chinese medicine recuperation and tourism development project in Jurong Lake District, Singapore.

Pursuant to the Memorandum of Cooperation, Sinzhongyi and Eastern Art will jointly develop a traditional Chinese medicine recuperation and tourism development project in Jurong Lake District, Singapore by the lakeside of Jurong Lake, Singapore. The project will be operated with the characteristics of recuperation, rehabilitation and physiotherapy with traditional Chinese medicine.

Eastern Art will be principally responsible for coordinating and obtaining the relevant procedures and approval documents for land and planning from the government, competent authorities and tourism board in Singapore and responsible for the implementation of project development. Sinzhongyi will be principally responsible for the establishment, business invitation, operation and management of the relevant organisations including recuperation and rehabilitation with traditional Chinese medicine, training for traditional Chinese medicine, medicine diet and nursing homes.

Details regarding the Memorandum of Cooperation were set out in the announcement of the Company dated 5 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's turnover in the first half of the year was 7.9% more than the same period last year. The medical education core business remains stable.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group recorded revenue of approximately HK\$36,955,000 (2018: HK\$34,238,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$22,173,000 (2018: HK\$20,166,000), representing a gross profit margin of 60% (2018: 59%) for the period under review.

During the period, cost of sales was approximately HK\$14,782,000 (2018: HK\$14,072,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$1,310,000 (2018: HK\$86,000) representing an interest income of approximately HK\$1,247,000 (2018: HK\$70,000) and sundry income of approximately HK\$63,000 (2018: HK\$16,000).

Other expenses for the period under review amounted to approximately HK\$4,155,000 (2018: HK\$140,000) representing net unrealised loss on financial assets at fair value through profit or loss of approximately HK\$1,143,000 (2018: HK\$140,000) and fair value change of contingent consideration receivable of approximately HK\$3,012,000 (2018: HK\$ nil).

Administrative expenses for the period under review were approximately HK\$25,523,000 (2018: HK\$31,592,000), of which staff related costs were approximately HK\$10,655,000 (2018: HK\$9,241,000). Other major expenses include consultancy fees, which were approximately HK\$870,000 (2018: HK\$6,849,000); and depreciation charges, which were approximately HK\$4,217,000 (2018: HK\$1,193,000) during the period under review.

During the period, the share of loss of an associate of approximately HK\$2,000,000 (2018: share of profit of HK\$921,000) is contributed by an associate, Beijing Youli Lianxu Technology Co., Ltd., ("Beijing Youli") which was acquired in April 2017.

Finance costs during the period were approximately HK\$6,729,000 (2018: HK\$4,667,000), and the consolidated loss for the period was approximately HK\$14,924,000 (2018: HK\$15,226,000).

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.

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.

Capital structure, liquidity and financial resources

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of debt, which mainly includes convertible notes, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group financed its business operations mainly by cash revenue generated internally from operating activities and additional funds from exercise of share options.

As at 30 June 2019, the Group had current assets of approximately HK\$159 million including cash and bank balances of approximately HK\$58.9 million, and the Group did not have any bank borrowings. Total assets were approximately HK\$236.9 million and total liabilities were approximately HK\$72.7 million, representing a gearing ratio (expressed as total liabilities to total assets) of approximately 0.31, as compared with approximately 0.28 at the beginning of the year 2019.

Share capital

As at 30 June 2019, the authorized share capital of the Company was HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$375,129,703 divided into 3,751,297,033 shares of HK\$0.10 each.

Convertible Notes

Convertible Notes 2020

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 ("Beijing Youli").

Completion of the issue of the Convertible Notes 2020 (CN2020) in the aggregate principal amount of HK\$91,581,000 have been issued, of which HK\$54,215,952 are issued to the company nominated by Mr. Wang Peng and HK\$37,365,048 are issued to the company nominated by Mr. Ma Liejun took place on 25 April 2017.

In 2018, Beijing Youli met the 2017 Profit Target (being the net profit after tax of Beijing Youli for the period from 1 April 2017 to 31 March 2018 in the amount of HK\$12,600,000). For detailed information regarding the Profit Target, please refer to the announcement of the Company dated 11 October 2016.

As at 30 June 2019, the aggregate outstanding principal amount of CN2020 was HK\$54,948,600. The exercise in full of the vested conversion rights would result in the issue and allotment of 230,876,471 new shares of the Company.

Articles of Association

There was no change to the Articles of Association to the Company during the period ended 30 June 2019.

On 21 January 2019, the special resolution was not passed at the Extraordinary General Meeting (“EGM”) in relation to adopt the Company’s new memorandum and articles of association in substitution for and to the exclusion of the existing memorandum and articles of association of the Company. For detailed information regarding the special resolution, please refer to the announcement of the Company dated 28 December 2018 and 21 January 2019.

On 25 March 2019, the special resolution was not passed at the EGM in relation to adopt the Company’s new memorandum and articles of association in substitution for and to the exclusion of the existing memorandum and articles of association of the Company. For detailed information regarding special resolution, please refer to the announcement of the Company dated 20 February 2019 and 25 March 2019.

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 2019, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

Events after the Reporting Period

Events after the reporting period of the Group are set out in note 16 to the unaudited condensed consolidated interim financial statements in this report.

Significant investments

During the six months ended 30 June 2019, no significant investments were made by the Group.

Charges on the Group’s assets

There were no material charges on the Group’s assets as at 30 June 2019.

Employees Information

As at 30 June 2019, the Group had a total of approximately 40 employees (including executive directors). During the period under review, the total staff costs amount to approximately HK\$10,655,000 (2018: approximately HK\$9,241,000), representing an increase of approximately 15.3% 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.

SHARE OPTIONS SCHEME

At annual general meeting of the Company held on 23 May 2011, the Company adopted a new share option scheme ("Share Option Scheme") and the share option scheme adopted on 24 November 2001 (the "Old Scheme") became terminated therefrom. The Share Option Scheme became effective on 23 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Upon termination of Old Scheme, no further Options under the Old Scheme can be granted but the Options which have been granted during the life of the Old Scheme shall continue to be exercisable in accordance with their terms of issue and the provisions of Chapter 23 of the GEM Listing.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the Board may approved from time to time.

Pursuant to Share Option Scheme, the Board may grant Options to any employee of the Group or any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group to subscribe for shares of the Company at a price determined by the Board and shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the Option which must be a business day, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the Options; and (iii) the nominal value of a share on the date of offer of the Options.

An offer of Option shall remain open for acceptance by the participant to whom an offer is made for a period from the offer date to such date as the Board may determine and specify in the offer letter (both days inclusive), provided that no such offer shall be open for acceptance after the 10th anniversary from the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier. A nominal consideration of HK\$1 is payable on acceptance of the offer of an Option.

The total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue at as the date of approval of the limit. The maximum number of shares issuable under the Option to each eligible participant in the Scheme Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time.

Any grant of Options to a participant who is a director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors (excluding independent non-executive director who is grantee). In addition, any Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The movements in the Options during the period ended 30 June 2019 are shown in the following table:

Name of the participant	Date of grant	Exercise period and vesting period	Exercise price per share HK\$	At 1 January 2019	Granted during the period	Exercised during the period	Lapsed/Cancelled during the period	At 30 June 2019
Directors								
Yuan Wei	09/09/2015	09/09/2015 - 08/09/2025	0.28	20,000,000	-	-	-	20,000,000
	15/12/2016	15/12/2016 - 14/12/2026	0.311	10,000,000	-	-	-	10,000,000
	17/05/2017	17/05/2017 - 16/05/2027	0.285	3,000,000	-	-	-	3,000,000
Zhang Jianxin	09/09/2015	09/09/2015 - 08/09/2025	0.28	5,000,000	-	-	-	5,000,000
	15/12/2016	15/12/2016 - 14/12/2026	0.311	5,000,000	-	-	-	5,000,000
Zheng Zhijing	17/05/2017	17/05/2017 - 16/05/2027	0.285	10,000,000	-	-	-	10,000,000
Subtotal				53,000,000	-	-	-	53,000,000
Others								
In aggregate	09/07/2009	09/07/2009 - 08/07/2019	0.652	14,936,322	-	-	-	14,936,322
In aggregate	09/09/2015	09/09/2015 - 08/09/2025	0.28	81,000,000	-	-	-	81,000,000
In aggregate	15/12/2016	15/12/2016 - 14/12/2026	0.311	283,000,000	-	-	-	283,000,000
In aggregate	17/05/2017	17/05/2017 - 16/05/2027	0.285	255,200,000	-	-	-	255,200,000
				634,136,322	-	-	-	634,136,322
Exercisable at the end of the period								687,136,322
Weighted average exercise price				HKD0.30	-	-	-	HKD0.30

The movements in the Options during the period ended 30 June 2018 are shown in the following table:

Name of the participant	Date of grant	Exercise period and vesting period	Exercise price per share HK\$	At 1 January 2018	Granted during the period	Exercised during the period	Lapsed/Cancelled during the period	At 30 June 2018
Directors								
Yuan Wei	09/09/2015	09/09/2015 - 08/09/2025	0.28	20,000,000	-	-	-	20,000,000
	15/12/2016	15/12/2016 - 14/12/2026	0.311	10,000,000	-	-	-	10,000,000
	17/05/2017	17/05/2017 - 16/05/2027	0.285	3,000,000	-	-	-	3,000,000
Zhang Jianxin	09/09/2015	09/09/2015 - 08/09/2025	0.28	5,000,000	-	-	-	5,000,000
	15/12/2016	15/12/2016 - 14/12/2026	0.311	5,000,000	-	-	-	5,000,000
Zheng Zhijing	17/05/2017	17/05/2017 - 16/05/2027	0.285	10,000,000	-	-	-	10,000,000
Li Qunsheng (resigned on 02/08/2018)	17/05/2017	17/05/2017 - 16/05/2027	0.285	3,000,000	-	-	-	3,000,000
Subtotal				56,000,000	-	-	-	56,000,000
Others								
In aggregate	28/08/2008	28/08/2008 - 27/08/2018	1.281	9,230,311	-	-	-	9,230,311
In aggregate	09/07/2009	09/07/2009 - 08/07/2019	0.652	14,936,322	-	-	-	14,936,322
In aggregate	09/09/2015	09/09/2015 - 08/09/2025	0.28	99,600,000	-	(18,600,000)	-	81,000,000
In aggregate	15/12/2016	15/12/2016 - 14/12/2026	0.311	315,000,000	-	(32,000,000)	-	283,000,000
In aggregate	17/05/2017	17/05/2017 - 16/05/2027	0.285	257,000,000	-	(4,800,000)	-	252,200,000
				695,766,633	-	(55,400,000)	-	640,366,633
Exercisable at the end of the period								640,366,633
Weighted average exercise price				HKD0.32	-	HKD0.30	-	HKD0.32

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, 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 and Chief Executive Officer</i>)	Beneficial owner	-	33,000,000	33,000,000	0.88%
Zhang Jianxin (<i>Executive Director</i>)	Beneficial owner	-	10,000,000	10,000,000	0.27%
Wong Hiu Pui (<i>Executive Director</i>)	Beneficial owner	120,000	-	120,000	0.003%
Zheng Zhijing (<i>Executive Director</i>)	Beneficial owner	-	10,000,000	10,000,000	0.27%
Lin Yan (<i>Executive Director</i>)	Beneficial owner	126,000,000	-	126,000,000	3.36%
Yang Qingchun (<i>Independent Non-executive Director</i>)	Beneficial owner	536,000	-	536,000	0.01%
Lu Xiaowei (<i>Independent Non-executive Director</i>)	Beneficial owner	1,000,000	-	1,000,000	0.03%

Save as disclosed above, as at 30 June 2019, 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 2019, 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	286,256,000	7.63%
Liu Yang (note 2)	Interest of a controlled corporation	286,256,000	7.63%
Atlantis Investment Management (Hong Kong) Limited (note 1)	Investment manager	286,256,000	7.63%
Atlantis Investment Management (Ireland) Limited (note 1)	Investment manager	126,256,000	3.37%
Riverwood Asset Management (Cayman) Ltd. (note 2)	Investment manager	160,000,000	4.27%
China Shipbuilding Industry Corporation (note 3)	Interest of a controlled corporation	524,952,000	13.99%
China Shipbuilding Capital Limited (note 3)	Beneficial owner and interest of a controlled corporation	524,952,000	13.99%
Summit Blue Limited (note 4)	Beneficial owner	384,794,117	10.26%
Wang Peng (note 4)	Interest of a controlled corporation	384,794,117	10.26%

- Notes: 1 According 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 286,256,000 shares and 126,256,000 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. According to the disclosure of interests notices filed by Riverwood Asset Management (Cayman) Ltd, Riverwood Asset Management (Cayman) Ltd was disclosed as having interest in 160,000,000 shares of the Company and was wholly owned by Ms. Liu Yang. Therefore, Ms. Liu Yang is deemed to be interested in the shares held by Riverwood Asset Management (Cayman) Ltd.
3. China Shipbuilding Capital Limited was a wholly-owned subsidiary of China Shipbuilding Industry Corporation. China Shipbuilding Capital Limited was the beneficial owner of 493,088,000 shares of the Company and also held 60% shareholding in CSIC Investment One Limited, a company which was the beneficial owner of 31,864,000 shares of the Company.
4. According to the disclosure of interests notices filed by Summit Blue Limited and Mr. Wang Peng, Summit Blue Limited held 384,794,117 shares of the Company and Mr. Wang Peng held 70% shareholding in Summit Blue Limited. Therefore, Mr. Wang Peng is deemed to be interested in the shares held by Summit Blue Limited under the SFO.

Save as disclosed above, as at 30 June 2019, 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 2019.

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.

CHANGES IN DIRECTORS' INFORMATION

Set out below are changes in information of Directors:

Name of Directors

Ms. Yang Qingchun

Mr. Tang Jiuda

Details of change

Re-designated from the chairman of the audit committee of the Company to a member of the Audit Committee with effect from 8 May 2019

Appointed as the chairman of the audit committee of the Company with effect from 8 May 2019

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. Currently, the committee comprised three independent non-executive Directors, namely Ms. Yang Qingchun, Mr. Tang Jiuda and Ms. Lu Xiaowei.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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 Ms. Yang Qingchun and Mr. Tang Jiuda. 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 Ms. Yang Qingchun and Ms. Lu Xiaowei. 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, 9 August 2019

As at the date of this report, the Board comprises five executive Directors, namely Mr. Yuan Wei, Ms. Zhang Jianxin, Mr. Zheng Zhijing, Ms. Lin Yan and Ms. Wong Hiu Pui; and three independent non-executive Directors, namely Ms. Yang Qingchun, Mr. Tang Jiuda and Ms. Lu Xiaowei.

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.