



**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**

Third Quarterly Report



## **CHARACTERISTICS OF 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-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 nine months and three months ended 30 September 2019, together with the comparative unaudited figures of the corresponding period in 2018, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>50,438</b>	48,512	<b>13,483</b>	14,274
Cost of sales		<b>(20,175)</b>	(19,853)	<b>(5,393)</b>	(5,781)
Gross profit		<b>30,263</b>	28,659	<b>8,090</b>	8,493
Other income	4	<b>1,971</b>	152	<b>661</b>	66
Other expenses	5	<b>(5,727)</b>	(178)	<b>(1,572)</b>	(38)
Share based payment expenses		<b>(30,800)</b>	–	<b>(30,800)</b>	–
Administrative expenses		<b>(36,728)</b>	(42,657)	<b>(11,205)</b>	(11,065)
<b>Loss from operations</b>		<b>(41,021)</b>	(14,024)	<b>(34,826)</b>	(2,544)
Finance costs	6	<b>(9,981)</b>	(7,325)	<b>(3,252)</b>	(2,658)
Share of results of investment in an associate		<b>(1,408)</b>	1,445	<b>592</b>	524
<b>Loss before tax</b>		<b>(52,410)</b>	(19,904)	<b>(37,486)</b>	(4,678)
Income tax	7	–	–	–	–
<b>Loss for the period</b>		<b>(52,410)</b>	(19,904)	<b>(37,486)</b>	(4,678)
<b>Attributable to:</b>					
Owners of the Company		<b>(65,711)</b>	(32,248)	<b>(41,060)</b>	(8,083)
Non-controlling interests		<b>13,301</b>	12,344	<b>3,574</b>	3,405
		<b>(52,410)</b>	(19,904)	<b>(37,486)</b>	(4,678)
<b>Loss per share attributable to owners of the Company (HK cents)</b>					
– Basic	8	<b>(1.75)</b>	(0.87)	<b>(1.09)</b>	(0.22)
– Diluted	8	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Loss for the period</b>	<b>(52,410)</b>	(19,904)	<b>(37,486)</b>	(4,678)
<b>Other comprehensive loss:</b>				
Exchange difference arising on translation of foreign operations	<b>(4,152)</b>	(5,657)	<b>(2,885)</b>	(4,162)
<b>Total comprehensive loss for the period</b>	<b>(56,562)</b>	(25,561)	<b>(40,371)</b>	(8,840)
<b>Attributable to:</b>				
Owners of the Company	<b>(69,863)</b>	(37,905)	<b>(43,945)</b>	(12,245)
Non-controlling interests	<b>13,301</b>	12,344	<b>3,574</b>	3,405
	<b>(56,562)</b>	(25,561)	<b>(40,371)</b>	(8,840)

# 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 condensed consolidated financial statements for the nine months ended 30 September 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 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. OTHER INCOME

	<b>(Unaudited)</b> <b>For the nine months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	<b>1,908</b>	132	<b>661</b>	62
Sundry income	<b>63</b>	20	<b>-</b>	4
	<b>1,971</b>	152	<b>661</b>	66

### 5. OTHER EXPENSES

	<b>(Unaudited)</b> <b>For the nine months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Net unrealised loss on financial assets at fair value through profit or loss	<b>2,715</b>	178	<b>1,572</b>	38
Fair value change of contingent consideration receivable	<b>3,012</b>	-	<b>-</b>	-
	<b>5,727</b>	178	<b>1,572</b>	38

### 6. FINANCE COSTS

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

## 7. 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.

## 8. 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:

	<b>(Unaudited)</b> <b>For the nine months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Unaudited loss for the period for the purpose of basic and diluted loss per share	<b>(65,711)</b>	(32,248)	<b>(41,060)</b>	(8,083)

	<b>(Unaudited)</b> <b>For the nine months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>

### Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	<b>3,751,297,033</b>	3,716,774,687	<b>3,751,297,033</b>	3,751,297,033
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Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>N/A</b>	N/A	<b>N/A</b>	N/A
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No diluted loss per share has been presented for each of the nine months and three months ended 30 September 2019 and 30 September 2018 because the Company's outstanding share options and convertible notes during the nine months and three months ended 30 September 2019 and 30 September 2018 have an anti-dilutive impact.

## 9. DIVIDEND

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2019 (2018: nil).

## 10. MOVEMENT OF RESERVES (UNAUDITED)

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Convertible notes equity reserve HK\$'000	PRC staff awards fund reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>As of 1 January 2018</b>	332,783	78,953	9,194	29,815	11,730	(622,189)	(159,714)
Loss for the period	-	-	-	-	-	(32,248)	(32,248)
Other comprehensive loss	-	-	(5,657)	-	-	-	(5,657)
Total comprehensive loss for the period	-	-	(5,657)	-	-	(32,248)	(37,905)
Exercise of share options	17,204	(6,215)	-	-	-	-	10,989
Issue of share placing	32,500	-	-	-	-	-	32,500
<b>As of 30 September 2018</b>	382,487	72,738	3,537	29,815	11,730	(654,437)	(154,130)
<b>As of 1 January 2019</b>	382,487	69,818	3,762	29,815	11,730	(710,112)	(212,500)
Loss for the period	-	-	-	-	-	(65,711)	(65,711)
Other comprehensive loss	-	-	(4,152)	-	-	-	(4,152)
Total comprehensive loss for the period	-	-	(4,152)	-	-	(65,711)	(69,863)
Issue of share options	-	30,800	-	-	-	-	30,800
Reduction of convertible notes	-	-	-	(2,554)	-	-	(2,554)
Deferred tax liability released upon reduction of convertible notes	-	-	-	421	-	-	421
Transfer upon the lapse of share option	-	(10,056)	-	-	-	10,056	-
<b>As of 30 September 2019</b>	382,487	90,562	(390)	27,682	11,730	(765,767)	(253,696)



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

The Group's turnover for the nine months' period was 4.0% more than the same period last year. The medical education core business remains stable.

## FINANCIAL REVIEW

For the nine months ended 30 September 2019, the Group recorded revenue of approximately HK\$50,438,000 (2018: HK\$48,512,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$30,263,000 (2018: HK\$28,659,000), representing a gross profit margin of 60% (2018: 59%) for the period under review.

During the period, cost of sales was approximately HK\$20,175,000 (2018: HK\$19,853,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$1,971,000 (2018: HK\$152,000) representing an interest income of approximately HK\$1,908,000 (2018: HK\$132,000) and sundry income of approximately HK\$63,000 (2018: HK\$20,000).

Other expenses for the period under review amounted to approximately HK\$5,727,000 (2018: HK\$178,000) representing net unrealised loss on financial assets at fair value through profit or loss of approximately HK\$2,715,000 (2018: HK\$178,000) and fair value change of contingent consideration receivable of approximately HK\$3,012,000 (2018: HK\$nil).

Share based payment expenses amounted to approximately HK\$30,800,000 (2018: HK\$nil) was recognised during the period as a total of 375,100,000 share options were granted by the Company on 2 July 2019.

Administrative expenses for the period under review were approximately HK\$36,728,000 (2018: HK\$42,657,000), of which staff related costs were approximately HK\$15,907,000 (2018: HK\$14,166,000). Other major expenses include consultancy fees, which were approximately HK\$1,275,000 (2018: HK\$7,712,000); and depreciation charges, which were approximately HK\$6,708,000 (2018: HK\$1,780,000) during the period under review.

During the period, the share of loss of an associate of approximately HK\$1,408,000 (2018: share of profit of HK\$1,445,000) is contributed by an associate, Beijing Youli Lianxu Technology Co., Ltd. ("Beijing Youli").

Finance costs during the period were approximately HK\$9,981,000 (2018: HK\$7,325,000), and the consolidated loss for the period was approximately HK\$52,410,000 (2018: HK\$19,904,000).

## 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.

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.

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.

In July 2019, the Company 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.

On 30 July 2019, a Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six independent institutional, corporate or individual investors, to place Convertible Bonds of principal amount up to HK\$187,000,000.

Upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.25 per Conversion Share, a total of 748,000,000 Conversion Shares will be allotted and issued, which represent (i) approximately 19.94% of the issued share capital of the Company as at 30 July 2019; and (ii) approximately 16.62% of the issued share capital of the Company as enlarged by the Conversion Shares (assuming there is no other change in the number of issued Shares between 30 July 2019 and the full conversion of the Convertible Bonds).

Details regarding the placing of convertible bonds were set out in the announcement of the Company dated 30 July 2019.

On 20 August 2019, the Company and the Placing Agent entered into a supplemental placing agreement (the "Supplemental Agreement") to revise the aggregate principal amount of the Convertible Bonds and to postpone the Long Stop Date. Pursuant to the Supplemental Agreement, the aggregate principal amount of the Convertible Bonds to be placed by the Placing Agent is revised from up to HK\$187,000,000 to up to HK\$120,000,000.

Based on the revised aggregate principal amount of the Convertible Bonds, assuming the Convertible Bonds are fully placed, upon full conversion of the Convertible Bonds at the initial Conversion Price, the maximum number of Conversion Shares to be issued by the Company will be changed from 748,000,000 Conversion Shares to 480,000,000 Conversion Shares.

Pursuant to the Supplemental Agreement, the Long Stop Date is postponed from 20 August 2019 to 10 September 2019 (or such later date as the Placing Agent and the Company may agree).

Assuming all the Convertible Bonds under the Placing Agreement (as amended by the Supplemental Agreement) have been placed, the gross proceeds and net proceeds of the Placing amount will be revised to HK\$120,000,000 and approximately HK\$117,200,000 respectively, after deducting commission and other related expenses of Placing. The Company intends to apply the net proceeds (i) as the general working capital of the Group; and (ii) for the development and expansion of the Group's existing businesses, especially (a) the business of the Company's subsidiary Sinzhongyi Consultancy PTE. Ltd. for its establishment of a Chinese medicine health center and training center in Singapore; and (b) the business of the Company's subsidiaries in the PRC.

Details regarding the Supplemental Agreement in relation to placing of convertible bonds were set out in the announcement of the Company dated 20 August 2019.

On 10 September 2019, the Company and the Placing Agent entered into a 2nd supplemental placing agreement (the "2nd Supplemental Agreement") to further postpone the Long Stop Date from 10 September 2019 to 24 September 2019 (or such later date as the Placing Agent and the Company may agree).

Details regarding the 2nd Supplemental Agreement in relation to placing of convertible bonds were set out in the announcement of the Company dated 10 September 2019.

Given that certain conditions precedent set out in the Placing Agreement (as amended by the Supplemental Agreement and the 2nd Supplemental Agreement) (the "Amended Placing Agreement") have not been fulfilled on or before the Long Stop Date, the Amended Placing Agreement has accordingly lapsed on 24 September 2019.

Details regarding the lapse of placing of convertible bonds were set out in the announcement of the Company dated 25 September 2019.

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.

With effect from 30 September 2019, Mr. Lin Ruiping (“Mr. Lin”) has been appointed as the honorary chairman of the Company. Mr. Lin, aged 64, born in Fuqing, Fujian Province, obtained a junior college diploma from Beijing Institute of Economic Management (北京經濟管理學院), majoring in business administration. He is currently a senior economist and engineer. Mr. Lin has over 20 years’ experience in managing different companies, including acting as chairman of property developers, asset management companies and international gourmet companies. Mr. Lin is the father of Ms. Lin Yan, an executive Director of the Company. Details regarding the appointment of honorary chairman were set out in the announcement of the Company dated 30 September 2019.

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.

## **Share capital**

As at 30 September 2019, the authorised 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.

For the period ended 30 September 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.

For the period ended 30 September 2019, Beijing Youli failed 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.

As at 30 September 2019, the aggregate outstanding principal amount of CN2020 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.

## **Articles of Association**

There was no change to the Articles of Association to the Company during the period ended 30 September 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 September 2019, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

## **Significant investments**

During the nine months ended 30 September 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 September 2019.

## **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.

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.

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.

The movements in the Options during the period ended 30 September 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 September 2019
<b>Directors</b>								
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
	02/07/2019	02/07/2019 - 01/07/2029	0.155	-	30,600,000	-	-	30,600,000
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
	02/07/2019	02/07/2019 - 01/07/2029	0.155	-	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
Yang Qingchun	02/07/2019	02/07/2019 - 01/07/2029	0.155	-	2,000,000	-	-	2,000,000
Tang Jiuda	02/07/2019	02/07/2019 - 01/07/2029	0.155	-	2,000,000	-	-	2,000,000
Lu Xiaowei	02/07/2019	02/07/2019 - 01/07/2029	0.155	-	2,000,000	-	-	2,000,000
<b>Deputy Chief Executive Officer</b>								
Wang Hui	02/07/2019	02/07/2019 - 01/07/2029	0.155	-	5,000,000	-	-	5,000,000
<b>Subtotal</b>				53,000,000	46,600,000	-	-	99,600,000
<b>Others</b>								
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
In aggregate	02/07/2019	02/07/2019 - 01/07/2029	0.155	-	328,500,000	-	-	328,500,000
				634,136,322	328,500,000	-	(14,936,322)	947,700,000
Exercisable at the end of the period								1,047,300,000
Weighted average exercise price				HKD0.303	HKD0.155	-	HKD0.652	HKD0.245

The movements in the Options during the period ended 30 September 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 September 2018
<b>Directors</b>								
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 02/09/2018)	17/05/2017	17/05/2017 - 16/05/2027	0.285	3,000,000	-	-	-	3,000,000
<b>Subtotal</b>				56,000,000	-	-	-	56,000,000
<b>Others</b>								
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)	(9,230,311)	631,136,322
<b>Exercisable at the end of the period</b>								687,136,322
<b>Weighted average exercise price</b>				HKD0.315	-	HKD0.298	HKD1.281	HKD0.303



## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 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	-	63,600,000	63,600,000	1.70%
Zhang Jianxin ( <i>Executive Director</i> )	Beneficial owner	-	15,000,000	15,000,000	0.40%
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	2,000,000	2,536,000	0.07%
Lu Xiaowei ( <i>Independent Non-executive Director</i> )	Beneficial owner	1,000,000	2,000,000	3,000,000	0.08%
Tang Jiuda ( <i>Independent Non-executive Director</i> )	Beneficial owner	-	2,000,000	2,000,000	0.05%
Wang Hui ( <i>Deputy Chief Executive Officer</i> )	Beneficial owner	-	5,000,000	5,000,000	0.13%

Save as disclosed above, as at 30 September 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 September 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	337,477,188	9.0%
Wang Peng (note 4)	Interest of a controlled corporation	337,477,188	9.0%

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. Summit Blue Limited held 337,477,188 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 September 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 nine months ended 30 September 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**

### **Details of change**

Ms. Yang Qingchun

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

Mr. Tang Jiuda

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. As at 30 September 2019, 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 nine months ended 30 September 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, 13 November 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.*