



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)

2020

Interim Report



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2020, together with the comparative unaudited figures of the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | (Unaudited) For the six months ended 30 June | | (Unaudited) For the three months ended 30 June | |
|--|------|--|----------|--|----------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 3 | 40,389 | 36,955 | 16,747 | 13,998 |
| Cost of services rendered | | (19,034) | (14,782) | (7,830) | (5,599) |
| Gross profit | | 21,355 | 22,173 | 8,917 | 8,399 |
| Other income | 5 | 2,644 | 1,310 | 1,672 | 712 |
| Other expenses | 6 | (2,271) | (4,155) | (865) | (3,713) |
| Administrative expenses | | (20,242) | (25,523) | (9,814) | (12,345) |
| Profit/(loss) from operations | | 1,486 | (6,195) | (90) | (6,947) |
| Finance costs | 7 | (7,405) | (6,729) | (1,384) | (3,507) |
| Share of result of an associate | | (831) | (2,000) | (528) | (3,126) |
| Loss before tax | 8 | (6,750) | (14,924) | (2,002) | (13,580) |
| Income tax | 9 | - | - | - | - |
| Loss for the period | | (6,750) | (14,924) | (2,002) | (13,580) |
| Attributable to: | | | | | |
| Owners of the Company | | (15,563) | (24,651) | (5,246) | (17,313) |
| Non-controlling interests | | 8,813 | 9,727 | 3,244 | 3,733 |
| | | (6,750) | (14,924) | (2,002) | (13,580) |
| Loss per share attributable to owners of the Company (HK cents) | | | | | |
| - Basic | 11 | (0.41) | (0.66) | (0.13) | (0.46) |
| - Diluted | 11 | N/A | N/A | N/A | N/A |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | (Unaudited) For the six months ended 30 June 2020 | | (Unaudited) For the three months ended 30 June 2020 | |
|--|--|------------------|--|------------------|
| | 2019 HK\$'000 | 2019 HK\$'000 | 2019 HK\$'000 | 2019 HK\$'000 |
| Loss for the period | (6,750) | (14,924) | (2,002) | (13,580) |
| Other comprehensive loss: | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Exchange difference arising on translation of foreign operations | (868) | (1,267) | (130) | (1,370) |
| Realisation of exchange fluctuation reserve upon disposal of a subsidiary | (74) | - | - | - |
| Other comprehensive loss, net of tax | (942) | (1,267) | (130) | (1,370) |
| Total comprehensive loss for the period | (7,692) | (16,191) | (2,132) | (14,950) |
| Attributable to: | | | | |
| Owners of the Company | (16,505) | (25,918) | (5,376) | (18,683) |
| Non-controlling interests | 8,813 | 9,727 | 3,244 | 3,733 |
| | (7,692) | (16,191) | (2,132) | (14,950) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | (Unaudited) 30 June 2020 HK\$'000 | (Audited) 31 December 2019 HK\$'000 |
|---|----|--|--|
| Non-current assets | | | |
| Goodwill | | – | 1,838 |
| Financial assets at fair value through profit or loss | | 5,540 | 10,013 |
| Property, plant and equipment | | 3,674 | 3,835 |
| Right-of-use assets | | 2,769 | 4,483 |
| Investment in an associate | | 20,782 | 22,000 |
| | | 32,765 | 42,169 |
| Current assets | | | |
| Contingent consideration receivable | | – | 16,025 |
| Other receivables | 12 | 98,276 | 104,113 |
| Financial assets at fair value through profit or loss | | 8 | 305 |
| Cash and cash equivalents | | 29,943 | 18,967 |
| | | 128,227 | 139,410 |
| TOTAL ASSETS | | 160,992 | 181,579 |
| Current liabilities | | | |
| Convertible notes | | – | 47,669 |
| Lease liabilities | | 2,452 | 5,566 |
| Other payables | 13 | 37,190 | 40,229 |
| Other loans | 14 | 3,044 | – |
| | | 42,686 | 93,464 |
| Non-current liabilities | | | |
| Lease liabilities | | 339 | 1,381 |
| | | 339 | 1,381 |
| TOTAL LIABILITIES | | 43,025 | 94,845 |
| NET CURRENT ASSETS | | 85,541 | 45,946 |
| NET ASSETS | | 117,967 | 86,734 |
| CAPITAL AND RESERVE | | | |
| Share capital | 15 | 393,486 | 375,130 |
| Reserves | | (288,058) | (292,122) |
| Non-controlling interests | | 12,539 | 3,726 |
| TOTAL EQUITY | | 117,967 | 86,734 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | (Unaudited) | |
|--|-------------------------------------|----------|
| | For the six months ended 30 June | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Net cash inflow/(outflow) from operating activities | 8,906 | (11,803) |
| Net cash inflow from investing activities | 3,592 | 1,247 |
| Net cash outflow from financing activities | (1,279) | (108) |
| Increase/(decrease) in cash and cash equivalents | 11,219 | (10,664) |
| Cash and cash equivalents at the beginning of period | 18,967 | 70,898 |
| Effect of exchange rate changes | (243) | (1,312) |
| Cash and cash equivalents at the end of period | 29,943 | 58,922 |
| Analysis of the balance of cash and cash equivalents: | | |
| Cash and bank balances | 29,943 | 58,922 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

| | (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 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 |
| As of 1 January 2020 | 375,130 | 382,487 | 90,562 | (614) | 35,706 | 11,730 | (611,993) | 83,008 | 3,726 | 86,734 |
| (Loss)/profit of the period | - | - | - | - | - | - | (15,563) | (15,563) | 8,813 | (6,750) |
| Other comprehensive loss | - | - | - | - | - | - | - | - | - | - |
| Exchange differences on translating foreign operations | - | - | - | (868) | - | - | - | (868) | - | (868) |
| Realisation of exchange fluctuation reserve upon disposal of a subsidiary | - | - | - | (74) | - | - | - | (74) | - | (74) |
| Total comprehensive (loss)/income for the period | - | - | - | (942) | - | - | (15,563) | (16,505) | 8,813 | (7,692) |
| Transfer from convertible notes | - | - | - | - | 38,925 | - | - | 38,925 | - | 38,925 |
| Issue of share by conversion of convertible notes | 18,356 | 56,275 | - | - | (74,631) | - | - | - | - | - |
| As of 30 June 2020 | 393,486 | 438,762 | 90,562 | (1,556) | - | 11,730 | (627,556) | 105,428 | 12,539 | 117,967 |

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 2020 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 2019. 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 2020. 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.

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. REVENUE

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) | | (Unaudited) | |
|------------------|--------------------------|----------|----------------------------|----------|
| | For the six months ended | | For the three months ended | |
| | 30 June | | 30 June | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest income | 1,534 | 1,247 | 919 | 649 |
| Government grant | 685 | – | 685 | – |
| Sundry income | 425 | 63 | 68 | 63 |
| | 2,644 | 1,310 | 1,672 | 712 |

6. OTHER EXPENSES

| | (Unaudited) | | (Unaudited) | |
|--|--------------------------|----------|----------------------------|----------|
| | For the six months ended | | For the three months ended | |
| | 30 June | | 30 June | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Net unrealised loss on financial assets at fair value through profit or loss | 1,926 | 1,143 | 836 | 701 |
| Net realised loss on financial assets at fair value through profit or loss | 197 | – | 29 | – |
| Loss on disposal of a subsidiary | 148 | – | – | – |
| Fair value change of contingent consideration receivable | – | 3,012 | – | 3,012 |
| | 2,271 | 4,155 | 865 | 3,713 |

7. FINANCE COSTS

| | (Unaudited) | | (Unaudited) | |
|---|--------------------------|----------|----------------------------|----------|
| | For the six months ended | | For the three months ended | |
| | 30 June | | 30 June | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Effective interest expense on convertible notes | 7,323 | 6,621 | 1,348 | 3,448 |
| Finance cost on lease liabilities | 82 | 108 | 36 | 59 |
| | 7,405 | 6,729 | 1,384 | 3,507 |

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 | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Depreciation of property, plant and equipment | 776 | 1,429 | 366 | 715 |
| Depreciation of right-of-use assets | 1,756 | 2,788 | 786 | 1,437 |
| Staff costs (including directors' emoluments) | 10,718 | 10,655 | 5,303 | 5,423 |
| Loss on disposal of a subsidiary | 148 | - | - | - |

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 2020 (2019: 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 | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Unaudited loss for the period for the purpose of basic and diluted loss per share | (15,563) | (24,651) | (5,246) | (17,313) |

| | (Unaudited) | | (Unaudited) | |
|--|--------------------------|---------------|----------------------------|---------------|
| | For the six months ended | | For the three months ended | |
| | 30 June | | 30 June | |
| Number of shares | 2020 | 2019 | 2020 | 2019 |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 3,819,879,720 | 3,751,297,033 | 3,888,462,406 | 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 2020 and 30 June 2019 because the Company's outstanding share options and convertible notes during the six months and three months ended 30 June 2020 and 30 June 2019 have an anti-dilutive impact.

12. OTHER RECEIVABLES

| | (Unaudited) 30 June 2020 HK\$'000 | (Audited) 31 December 2019 HK\$'000 |
|--------------------------------|--|--|
| Deposits and other receivables | 153,799 | 152,328 |
| Deferred expenses | 7,640 | 15,072 |
| Prepayments | 1,799 | 2,615 |
| Less: impairment losses | (64,962) | (65,902) |
| | 98,276 | 104,113 |

13. OTHER PAYABLES

| | (Unaudited) 30 June 2020 HK\$'000 | (Audited) 31 December 2019 HK\$'000 |
|---------------------|--|--|
| Other payables | 5,479 | 5,251 |
| Receipts in advance | 19,100 | 30,439 |
| Accrued charges | 12,611 | 4,539 |
| | 37,190 | 40,229 |

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

14. OTHER LOANS

At 30 June 2020, all of the other loans were repayable within one year.

The other loans are unsecured, interest-bearing at fixed interest rate at 15% per annum.

15. SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|---|---------------------|---------------------------|
| Ordinary share of HK\$0.1 each | | |
| Authorised: | | |
| At 1 January 2020 and 30 June 2020 | 50,000,000,000 | 5,000,000 |
| Issued and fully paid: | | |
| At 1 January 2020 | 3,751,297,033 | 375,130 |
| Issue of share by conversion of convertible notes | 183,559,543 | 18,356 |
| At 30 June 2020 | 3,934,856,576 | 393,486 |

16. DISPOSAL OF A SUBSIDIARY

In March 2020, the Group completed the disposal of its entire 100% equity interests in Earth Spa Inc Pte Ltd. to an independent third party, at a consideration of SGD60,000 (equivalent of approximately HK\$326,000). Earth Spa Inc Pte Ltd. is principally engaged in the provision of healthcare services in Singapore. The net assets of Earth Spa Inc Pte Ltd. at the date of disposal are as follows:

Net assets/liabilities disposed of:

| | HK\$'000 |
|--------------------------------------|------------|
| Goodwill | 1,838 |
| Property, plant and equipment | 16 |
| Right-of-use assets | 398 |
| Other receivables | 65 |
| Cash and cash equivalents | 70 |
| Other payables | (1,419) |
| Lease liabilities | (420) |
| | <hr/> |
| Total identifiable net assets | 548 |

HK\$'000

Consideration received:

| | |
|--------------------|-----|
| Cash consideration | 326 |
|--------------------|-----|

Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary:

| | HK\$'000 |
|---------------------------------------|----------|
| Cash consideration received | 326 |
| Cash and cash equivalents disposed of | (70) |
| | <hr/> |
| | 256 |

Loss on disposal of subsidiary

HK\$'000

| | |
|---------------------------------------|-------|
| Consideration | 326 |
| Net assets disposed of | (548) |
| Exchange reserve released on disposal | 74 |
| | <hr/> |
| | (148) |

17. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | (Unaudited) | (Audited) |
|---|--------------------|-------------|
| | 30 June | 31 December |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Commitment to provide funding for joint venture's capital | 39,404 | 40,117 |

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2020 (31 December 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's revenue in the first half of the year was 9.3% more than the same period last year. The medical education core business remains stable.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$40,389,000 (2019: HK\$36,955,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$21,355,000 (2019: HK\$22,173,000), representing a gross profit margin of 52.9% (2019: 60%) for the period under review.

During the period, cost of services rendered was approximately HK\$19,034,000 (2019: HK\$14,782,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$2,644,000 (2019: HK\$1,310,000) representing an interest income of approximately HK\$1,534,000 (2019: HK\$1,247,000), government grant of approximately HK\$685,000 (2019: HK\$nil) and sundry income of approximately HK\$425,000 (2019: HK\$63,000).

Other expenses for the period under review amounted to approximately HK\$2,271,000 (2019: HK\$4,155,000) representing net unrealised loss on financial assets at fair value through profit or loss of approximately HK\$1,926,000 (2019: HK\$1,143,000), net realised loss on financial assets at fair value through profit or loss of approximately HK\$197,000 (2019: HK\$nil), fair value change of contingent consideration receivable of approximately HK\$nil (2019: HK\$3,012,000) and loss on disposal of a subsidiary of approximately HK\$148,000 (2019: HK\$nil).

Administrative expenses for the period under review were approximately HK\$20,242,000 (2019: HK\$25,523,000), of which staff related costs were approximately HK\$10,718,000 (2019: HK\$10,655,000). Other major expenses include consultancy fees, which were approximately HK\$589,000 (2019: HK\$870,000); and depreciation charges, which were approximately HK\$2,532,000 (2019: HK\$4,217,000) during the period under review.

During the period, the share of loss of an associate of approximately HK\$831,000 (2019: HK\$2,000,000) 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\$7,405,000 (2019: HK\$6,729,000), and the consolidated loss for the period was approximately HK\$6,750,000 (2019: HK\$14,924,000).

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.

In March 2020, the Group completed the disposal of its entire 100% equity interests in Earth Spa Inc Pte Ltd. to an independent third party, at a consideration of SGD60,000 (equivalent of approximately HK\$326,000). Earth Spa Inc Pte Ltd. is principally engaged in the provision of healthcare services in Singapore.

On 24 April 2020, the Company allotted and issued of 183,559,543 new shares upon exercises of the conversion rights attaching to the convertible notes in principal amounts of HK\$43,687,171.

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, Singapore 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 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 2020, the Group had current assets of approximately HK\$128.2 million (31 December 2019: HK\$139.4 million) including cash and bank balances of approximately HK\$29.9 million (31 December 2019: HK\$18.9 million). The Group had other loans of approximately HK\$3.0 million (31 December 2019: HK\$nil). Total assets were approximately HK\$161.0 million (31 December 2019: HK\$181.6 million) and total liabilities were approximately HK\$43.0 million (31 December 2019: HK\$94.8 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 0.27, as compared with approximately 0.52 at the beginning of the year 2020.

Share capital

As at 30 June 2020, 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\$393,485,657 divided into 3,934,856,576 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.

The noteholders converted CN2020 in the principal amount of HK\$36,632,400 on 15 May 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.

In 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.

On 24 April 2020, the Company allotted and issued of 183,559,543 new shares upon exercises of the conversion rights attaching to the CN2020 in principal amounts of HK\$43,687,171.

Articles of Association

There was no change to the Articles of Association to the Company during the period ended 30 June 2020.

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 2020, 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

There are no significant events occurring after the reporting period.

Significant investments

During the six months ended 30 June 2020, 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 2020.

Employees Information

As at 30 June 2020, the Group had a total of approximately 40 employees (2019: approximately 40 employees) (including executive directors). During the period under review, the total staff costs amount to approximately HK\$10,718,000 (2019: approximately HK\$10,655,000), representing an increase of approximately 1% 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 participants, including full time and part time employees, directors (including non-executive directors and independent non-executive directors), consultants, advisors, suppliers and customers of the Group, and the Invested Entity and other persons who, at the sole determination 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 2020 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 2020 | Granted during the period | Exercised during the period | Lapsed/ Cancelled during the period | At 30 June 2020 |
|---------------------------------------|---------------|------------------------------------|----------------------------------|-------------------|---------------------------|-----------------------------|--|-----------------|
| 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 |
| | 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 |
| Deputy Chief Executive Officer | | | | | | | | |
| Wang Hui | 02/07/2019 | 02/07/2019 - 01/07/2029 | 0.155 | 5,000,000 | - | - | - | 5,000,000 |
| Subtotal | | | | 99,600,000 | - | - | - | 99,600,000 |

| Name of the participant | Date of grant | Exercise period and vesting period | Exercise price per share HK\$ | At 1 January 2020 | Granted during the period | Exercised during the period | Lapsed/ Cancelled during the period | At 30 June 2020 |
|--|---------------|------------------------------------|----------------------------------|-------------------|---------------------------|-----------------------------|--|-----------------|
| Continuous contract employees | | | | | | | | |
| In aggregate | 09/09/2015 | 09/09/2015 – 08/09/2025 | 0.28 | 28,000,000 | - | - | - | 28,000,000 |
| In aggregate | 15/12/2016 | 15/12/2016 – 14/12/2026 | 0.311 | 146,000,000 | - | - | - | 146,000,000 |
| In aggregate | 17/05/2017 | 17/05/2017 – 16/05/2027 | 0.285 | 232,200,000 | - | - | - | 232,200,000 |
| In aggregate | 02/07/2019 | 02/07/2019 – 01/07/2029 | 0.155 | 288,500,000 | - | - | - | 288,500,000 |
| Subtotal | | | | 694,700,000 | - | - | - | 694,700,000 |
| Other eligible participants (i.e. external consultants) | | | | | | | | |
| In aggregate | 09/09/2015 | 09/09/2015 – 08/09/2025 | 0.28 | 53,000,000 | - | - | - | 53,000,000 |
| In aggregate | 15/12/2016 | 15/12/2016 – 14/12/2016 | 0.311 | 137,000,000 | - | - | - | 137,000,000 |
| In aggregate | 17/05/2017 | 17/05/2017 – 16/05/2027 | 0.285 | 23,000,000 | - | - | - | 23,000,000 |
| In aggregate | 02/07/2019 | 02/07/2019 – 02/07/2019 | 0.155 | 40,000,000 | - | - | - | 40,000,000 |
| Subtotal | | | | 253,000,000 | - | - | - | 253,000,000 |
| Exercisable at the end of the period | | | | | | | | 1,047,300,000 |
| Weighted average exercise price | | | | HKD0.245 | - | - | - | HKD0.245 |

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 |
| Continuous contract employees | | | | | | | | |
| 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 | 28,000,000 | - | - | - | 28,000,000 |
| In aggregate | 15/12/2016 | 15/12/2016 - 14/12/2026 | 0.311 | 146,000,000 | - | - | - | 146,000,000 |
| In aggregate | 17/05/2017 | 17/05/2017 - 16/05/2027 | 0.285 | 232,200,000 | - | - | - | 232,200,000 |
| Subtotal | | | | 421,136,322 | - | - | - | 421,136,322 |
| Other eligible participants (i.e. external consultants) | | | | | | | | |
| In aggregate | 09/09/2015 | 09/09/2015 - 08/09/2025 | 0.28 | 53,000,000 | - | - | - | 53,000,000 |
| In aggregate | 15/12/2016 | 15/12/2016 - 14/12/2016 | 0.311 | 137,000,000 | - | - | - | 137,000,000 |
| In aggregate | 17/05/2017 | 17/05/2017 - 16/05/2027 | 0.285 | 23,000,000 | - | - | - | 23,000,000 |
| Subtotal | | | | 213,000,000 | - | - | - | 213,000,000 |
| Exercisable at the end of the period | | | | | | | | 687,136,322 |
| Weighted average exercise price | | | | HKD0.30 | - | - | - | HKD0.30 |

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2020, 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 | 1.62% |
| Zhang Jianxin (<i>Executive Director</i>) | Beneficial owner | - | 15,000,000 | 15,000,000 | 0.38% |
| 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 | 0.25% |
| Lin Yan (<i>Executive Director</i>) | Beneficial owner | 126,000,000 | - | 126,000,000 | 3.20% |
| Yang Qingchun (<i>Independent Non-executive Director</i>) | Beneficial owner | 536,000 | 2,000,000 | 2,536,000 | 0.06% |
| 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 June 2020, 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 2020, 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 | 7.27% |
| Liu Yang (notes 1 and 2) | Interest of a controlled corporation | 286,256,000 | 7.27% |
| Atlantis Investment Management (Hong Kong) Limited (note 1) | Investment manager | 286,256,000 | 7.27% |
| Atlantis Investment Management (Ireland) Limited (note 1) | Investment manager | 126,256,000 | 3.21% |
| Riverwood Asset Management (Cayman) Ltd. (note 2) | Investment manager | 160,000,000 | 4.07% |
| China Shipbuilding Industry Corporation (note 3) | Interest of a controlled corporation | 524,952,000 | 13.34% |
| China Shipbuilding Capital Limited (note 3) | Beneficial owner and interest of a controlled corporation | 524,952,000 | 13.34% |
| Summit Blue Limited (note 4) | Beneficial owner | 337,477,189 | 8.58% |
| Wang Peng (note 4) | Interest of a controlled corporation | 337,477,189 | 8.58% |

- 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 337,477,189 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 2020, 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 2020.

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

With effect from 7 August 2020, Mr. Lin Ruiping has been appointed as an executive director of the Company. Upon appointment as an executive director of the Company, Mr. Lin has ceased to serve as the honorary chairman of the Company with effect from 7 August 2020.

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 2020, 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 2020 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, 12 August 2020

As at the date of this report, the Board comprises six executive Directors, namely Mr. Yuan Wei, Ms. Zhang Jianxin, Mr. Zheng Zhijing, Ms. Lin Yan, Ms. Wong Hiu Pui and Mr. Lin Ruiping; 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.