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RENTIAN TECHNOLOGY HOLDINGS LIMITED

仁天科技控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 00885)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS

The board (“**Board**”) of Directors (the “**Directors**”) of Rentian Technology Holdings Limited (the “**Company**” or “**Rentian Technology**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	306,355	(312,450)
Cost of sales		(219,367)	(307,828)
Gross profit (loss)		86,988	(620,278)
Other income	4	13,081	15,085
Selling and distribution expenses		(45,092)	(53,167)
General and administrative expenses		(86,381)	(186,749)
Changes in fair value of financial assets at fair value through profit or loss (“ FVPL ”)		(32,048)	(129,712)

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Loss from operation		(63,452)	(974,821)
Finance costs	5(a)	(112,809)	(94,859)
Share of result of associates		(13)	—
Loss before taxation	5	(176,274)	(1,069,680)
Taxation	6	(780)	496
Loss for the period		(177,054)	(1,069,184)
Other comprehensive loss:			
<i>Item that will not be reclassified to profit or loss:</i>			
Changes in fair value of financial assets designated at fair value through other comprehensive income (“FVOCI”)		(57,498)	(1,045)
<i>Items that are or may be reclassified to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(10,323)	(763)
Other comprehensive loss for the period		(67,821)	(1,808)
Total comprehensive loss for the period		(244,875)	(1,070,992)
Loss attributable to:			
Owners of the Company		(160,499)	(1,039,204)
Non-controlling interests		(16,555)	(29,980)
		(177,054)	(1,069,184)
Total comprehensive loss attributable to:			
Owners of the Company		(225,551)	(1,041,096)
Non-controlling interests		(19,324)	(29,896)
		(244,875)	(1,070,992)
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share	8	(1.46)	(9.43)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		44,492	51,886
Right-of-use assets		36,973	35,595
Intangible assets		50,506	52,102
Goodwill	9	123,982	123,982
Interest in associates		3,608	3,692
Financial assets designated at FVOCI	10	161,468	218,966
Pledged bank deposits		4,176	2,950
Deferred tax assets		3,471	3,567
		<u>428,676</u>	<u>492,740</u>
Current assets			
Inventories		206,784	217,780
Financial assets at FVPL	11	135,383	165,559
Loan receivables	12	5,000	—
Trade and other receivables	13	372,071	371,227
Income tax receivables		1,616	1,648
Pledged bank deposits		532	4,553
Bank balances and cash		102,115	225,912
		<u>823,501</u>	<u>986,679</u>
Current liabilities			
Trade and other payables	14	370,202	424,939
Lease liabilities		9,194	9,608
Income tax payables		40,770	41,787
Interest-bearing borrowings		449,934	445,067
Promissory notes		489,249	475,928
Convertible bonds		724,623	696,646
		<u>2,083,972</u>	<u>2,093,975</u>
Net current liabilities		<u>(1,260,471)</u>	<u>(1,107,296)</u>
Total assets less current liabilities		<u>(831,795)</u>	<u>(614,556)</u>

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	17,234	14,783
Deferred tax liabilities	<u>3,863</u>	<u>4,088</u>
	<u>21,097</u>	<u>18,871</u>
NET LIABILITIES	<u>(852,892)</u>	<u>(633,427)</u>
Capital and reserves		
Share capital	11,022	11,022
Reserves	<u>(891,468)</u>	<u>(679,150)</u>
Equity attributable to owners of the Company	(880,446)	(668,128)
Non-controlling interests	<u>27,554</u>	<u>34,701</u>
TOTAL DEFICIT	<u>(852,892)</u>	<u>(633,427)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

Rentian Technology Holdings Limited was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The preparation of unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2019. They have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and financial assets designated as at fair value through other comprehensive income, which are measured at fair value.

2.1 Going concern basis

During the six months ended 30 June 2020, the Group recorded a loss of HK\$177,054,000 (*six months ended 30 June 2019: HK\$1,069,184,000*). As at 30 June 2020, the Group had net current liabilities of HK\$1,260,471,000 (*31 December 2019: HK\$1,107,296,000*) and net liabilities of HK\$852,892,000 (*31 December 2019: HK\$633,427,000*). There is a material uncertainty related to these conditions that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has prepared cash flow projections which cover a period of fifteen months from 30 June 2020 and are updated for the latest circumstances of the latest practicable date. The Directors have reviewed the Group's cash flow projections. The Directors closely monitor the Group's liquidity position and financial performance and have initiated measures to improve the Group's cash flows. These measures include obtaining additional financing from certain financial institutions. The Group has obtained letters of undertakings from the controlling shareholder of the Company and certain companies controlled by the controlling shareholder of the Company confirming that they will provide financial support to the Group to meet its present and future financial obligations as they fall due in the next fifteen months.

In the opinion of the Directors, in light of the above, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming fifteen months from 30 June 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the unaudited condensed consolidated financial statements.

2.2 Changes in accounting policies and disclosures

The accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2020 as described below.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The adoption of the amendment does not have any significant impact on the unaudited condensed consolidated financial statements.

As at the date of authorisation of these unaudited condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs but it is not yet in a position to reasonably estimate the impact on the Group's unaudited condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision maker (the “CODM”), who is the executive Director, has evaluated the performance of operating segments and to allocate resources to those segments based on the Group’s internal reporting in respect of these segments. The Group’s operating segments are structured and managed separately according to the nature of their businesses.

During the six months ended 30 June 2019 and 2020, there were four reportable and operating segments as follows:

- (a) Integrated smart internet-of-things solutions (“IoT solution”)
- (b) Human-machine interactive devices (“HMID”)
- (c) Intelligent documentation service (“IDS”)
- (d) Securities and other investment (“Investing”)

The Group’s other operating segments do not meet any of the quantitative thresholds for determining as reportable segments. The information of these other operating segments are included in the “Unallocated” column.

Segment results represent the results from each reportable segment without allocation of finance costs. The following analysis is the measure reported to executive Director, being the CODM, for the purposes of resources allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments, all direct segment assets and liabilities are grouped under respective reportable segments and the remaining assets and liabilities are grouped as unallocated corporate assets and liabilities.

By business segments

An analysis of the Group’s revenue and results by reportable segment is set out below:

	Six months ended 30 June 2020 (Unaudited)					
	IoT solution HK\$’000	HMID HK\$’000	IDS HK\$’000	Investing HK\$’000	Unallocated HK\$’000	Total HK\$’000
Revenue						
Sale of products, at a point in time	21,852	153,686	—	—	—	175,538
Rendering of services, over time	53,973	1,149	75,546	—	—	130,668
Interest income from loan receivables	—	—	—	—	149	149
Total revenue	75,825	154,835	75,546	—	149	306,355
Operating results						
Segment results	(42,645)	1,741	5,636	(32,200)	4,003	(63,465)
Finance costs						(112,809)
Loss before taxation						(176,274)

Six months ended 30 June 2019 (Unaudited)

	IoT solution HK\$'000	HMID HK\$'000	IDS HK\$'000	Investing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue						
Sale of products, at a point in time	28,522	275,543	—	—	—	304,065
Rendering of services, over time	34,158	5,200	94,975	—	—	134,333
Net realised loss on disposal of financial assets at FVPL [#]	—	—	—	(767,383)	—	(767,383)
Interest income from financial assets at FVPL	—	—	—	12,572	—	12,572
Interest income from loan receivables	—	—	—	—	3,963	3,963
Total revenue	<u>62,680</u>	<u>280,743</u>	<u>94,975</u>	<u>(754,811)</u>	<u>3,963</u>	<u>(312,450)</u>
Operating results						
Segment results	<u>(86,238)</u>	<u>19,210</u>	<u>15,929</u>	<u>(886,348)</u>	<u>(37,374)</u>	<u>(974,821)</u>
Finance costs						<u>(94,859)</u>
Loss before taxation						<u>(1,069,680)</u>

[#] Represented the proceeds from the sale of investments at fair value through profit or loss of HK\$1,362,333,000 less relevant costs and carrying value of the investments sold of HK\$2,129,716,000.

An analysis of the Group's assets and liabilities by reportable segment is set out below:

	As at 30 June 2020 (Unaudited)					
	IoT solution HK\$'000	HMID HK\$'000	IDS HK\$'000	Investing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>335,067</u>	<u>535,978</u>	<u>82,437</u>	<u>296,529</u>	<u>2,166</u>	<u>1,252,177</u>
Segment liabilities	<u>(141,761)</u>	<u>(139,273)</u>	<u>(42,194)</u>	<u>(1,502,626)</u>	<u>(279,215)</u>	<u>(2,105,069)</u>
	As at 31 December 2019 (Audited)					
	IoT solution HK\$'000	HMID HK\$'000	IDS HK\$'000	Investing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>376,488</u>	<u>626,682</u>	<u>82,694</u>	<u>391,451</u>	<u>2,104</u>	<u>1,479,419</u>
Segment liabilities	<u>(157,485)</u>	<u>(217,774)</u>	<u>(55,072)</u>	<u>(1,494,061)</u>	<u>(188,454)</u>	<u>(2,112,846)</u>

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Amortisation of deferred day-one gain	2,504	4,981
Exchange gain, net	4,817	1,645
Government grants	1,682	4,320
Interest income from financial institutions	321	1,241
Reversal of allowance on loan receivables	3,000	—
Others	757	2,898
	<u>13,081</u>	<u>15,085</u>

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

	Six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
(a) Finance costs		
Interest on convertible bonds	57,763	36,074
Interest on interest-bearing borrowings	23,638	28,616
Interest on promissory notes	30,886	29,572
Interest on lease liabilities	522	594
Finance charges on obligations under finance leases	—	3
	<u>112,809</u>	<u>94,859</u>
(b) Other items		
Amortisation of intangible assets	2,397	3,173
Loss allowance on trade receivables	2,862	332
(Reversal of) loss allowance on loan receivables	(3,000)	15,860
Loss allowance on other receivables	1,827	50,393
Cost of inventories (<i>Note</i>)	126,599	224,356
Depreciation of property, plant and equipment	10,633	14,282
Depreciation of right-of-use assets	5,988	6,743
Lease payment on short term lease	4,498	—
Loss on disposal of property, plant and equipment	1,105	363
Operating lease charges on premises under HKAS 17	—	4,985
Research and development costs	4,728	7,909
Staff cost and related expenses	82,805	109,530
— includes reversal of share-based payment in respect of share options	—	(839)
	<u>—</u>	<u>(839)</u>

Note: Cost of inventories included HK\$11,191,000 (six months ended 30 June 2019: HK\$15,233,000) relating to staff costs, depreciation and operating lease charges, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. TAXATION

Hong Kong Profits Tax had not been provided as the Group's entities either had no assessable profit or incurred a loss for taxation purposes for the periods ended 30 June 2020 and 2019.

The applicable PRC Enterprises Income Tax ("EIT") for the PRC subsidiaries is at the statutory rate of 25% (six months ended 30 June 2019: 25%) based on their taxable profit, unless otherwise specified below.

Six (six months ended 30 June 2019: seven) PRC subsidiaries of the Company have been officially designated by the local tax authority as "High and New Technology Enterprises". A reduced tax rate of 15% (six months ended 30 June 2019: 15%) for the period of three years was granted as long as those PRC subsidiaries meet the high-tech enterprise qualification.

In 2017, a PRC subsidiary of the Company was qualified as a software enterprise and granted a tax holiday of two-year tax exemption followed by three-year 50% tax reduction (subject to annual review), starting from the first profit making year from the PRC tax perspective under the effective tax regulations. This PRC subsidiary made the first-year profit in 2016. As a result, it is subject to EIT at 12.5% from 2018 to 2020 and at 25% from 2021 onwards.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax		
PRC EIT		
Current period	293	3,167
Under (Over) provision in prior period	709	(3,096)
	<u>1,002</u>	<u>71</u>
Deferred tax	<u>(222)</u>	<u>(567)</u>
Tax expenses (income) for the period	<u><u>780</u></u>	<u><u>(496)</u></u>

7. DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2020 and 30 June 2019.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the six months ended 30 June 2020 attributable to owners of the Company of approximately HK\$160,499,000 (*six months ended 30 June 2019: HK\$1,039,204,000*), and the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 of 11,018,550,000 (*six months ended 30 June 2019: 11,018,583,000*) shares.

Other dilutive potential ordinary shares were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive or the specific conditions were not met.

9. GOODWILL

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
<i>Reconciliation of carrying amount</i>		
At beginning of reporting period	123,982	244,092
Impairment losses	—	(120,110)
	<u>123,982</u>	<u>123,982</u>
At end of reporting period	<u>123,982</u>	<u>123,982</u>
Cost	1,341,467	1,341,467
Accumulated impairment losses	<u>(1,217,485)</u>	<u>(1,217,485)</u>
	<u>123,982</u>	<u>123,982</u>

10. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Unlisted equity securities in a private limited company incorporated outside Hong Kong	161,468	218,966

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Held for trading		
Equity securities listed in Hong Kong	14,020	6,243
Others mandatorily measured at FVPL		
Wealth management products, unlisted	4,509	12,863
Unlisted equity securities in a private limited company incorporated outside Hong Kong	107,771	121,790
Unlisted equity securities in a private limited company incorporated in Hong Kong	9,083	24,663
	135,383	165,559
Analysed as:		
Current portion	135,383	165,559
Non-current portion	—	—
	135,383	165,559

12. LOAN RECEIVABLES

Loans granted to borrowers are repayable according to repayment schedules. The balance comprises loan receivables from:

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Note</i>		
Loan receivables from third parties	<i>(a)</i>	171,933	169,933
Loan receivables from a related company	<i>(b)</i>	5,900	5,900
<i>Less: Loss allowance</i>		<u>(172,833)</u>	<u>(175,833)</u>
		<u>5,000</u>	<u>—</u>

Notes:

- (a) At end of the reporting period, (1) loan receivables of HK\$16,958,000 were unsecured, carried at fixed interest rate of 15% per annum (*31 December 2019: HK\$19,958,000 were unsecured, carried at fixed interest rate of 15% per annum*) and overdue as at 30 June 2020 (*31 December 2019: due in May 2020*); (2) loan receivables of HK\$149,975,000 were unsecured, carried at fixed interest rate of ranging from 5% to 18% per annum (*31 December 2019: the same*) and overdue as at 30 June 2020 and 31 December 2019; and (3) remaining loan receivables of HK\$5,000,000 were unsecured, carried at fixed interest rate of 10% per annum and within its maturity date (*31 December 2019: Nil*).
- (b) The loan from a related company was unsecured, carried fixed interest rate at 8% and overdue as at 30 June 2020 (*31 December 2019: due in February 2020*).
- (c) During the six months ended 30 June 2020, a reversal of loss allowance on loan receivables of HK\$3,000,000 (*six months ended 30 June 2019: loss allowance of HK\$15,860,000*) was recognised in profit or loss.

13. TRADE AND OTHER RECEIVABLES

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
Trade receivables			
Trade receivables		275,050	324,744
Less: Loss allowance		<u>(106,950)</u>	<u>(104,088)</u>
	<i>(a)</i>	<u>168,100</u>	<u>220,656</u>
Bills receivables		<u>1,407</u>	<u>1,377</u>
Other receivables			
Prepayments to suppliers, net of impairment	<i>(b)</i>	74,799	85,667
Prepayments		2,230	2,262
Deposits and other debtors, net of loss allowance		<u>125,535</u>	<u>61,265</u>
		<u>202,564</u>	<u>149,194</u>
		<u>372,071</u>	<u>371,227</u>

Notes:

- (a) The ageing analysis of trade receivables, net of loss allowance, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 90 days	108,556	162,561
91-180 days	10,615	19,411
181-365 days	23,784	17,916
Over 365 days	<u>25,145</u>	<u>20,768</u>
	<u>168,100</u>	<u>220,656</u>

The Group allows a credit period of 30-90 days (*31 December 2019: 30-90 days*) to its customers.

- (b) These prepayments to suppliers are unsecured, interest free and will be used to offset against future purchases from suppliers.

14. TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade payables	<i>(a)</i> <u>132,684</u>	<u>189,224</u>
Bills payables	<u>4,275</u>	<u>15,304</u>
Other payables		
Accrued charges	58,050	88,266
Interest payables	99,547	48,822
Other creditors	51,754	45,743
Trade deposits received	<u>23,892</u>	<u>37,580</u>
	<u>233,243</u>	<u>220,411</u>
	<u>370,202</u>	<u>424,939</u>

Note:

- (a) The credit period of trade payables is normally within 90 days (*31 December 2019: 90 days*). The ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 90 days	85,005	145,979
91-180 days	13,405	10,364
181-365 days	4,868	9,405
Over 365 days	<u>29,406</u>	<u>23,476</u>
	<u>132,684</u>	<u>189,224</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Material uncertainty relating to going concern

As detailed in the annual report of the Company for the year ended 31 December 2019, the auditor has raised concern on the Group's ability to continue as going concern, the management has taken and will take the plans and measures as outlined in note 2.1 to the unaudited condensed consolidated financial statements to improve the Group's financial position. These measures include obtaining additional financing from certain financial institutions. The Group has obtained letters of undertakings from the controlling shareholder of the Company and certain companies controlled by the controlling shareholder of the Company confirming that they will provide financial support to the Group to meet its present and future financial obligations as they fall due in the next fifteen months.

Based on the above, the management of the Company is of the opinion that, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming fifteen months from 30 June 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

Results for the Period

The revenue of Rentian Technology for the six months ended 30 June 2020 (the "Period") increased by 198.05% to approximately HK\$306.4 million as compared to the corresponding period of 2019 (six months ended 30 June 2019: approximately HK\$(312.5) million). The increase was mainly due to the Group had no net realised loss on disposal of financial assets at fair value through profit or loss during the Period (six months ended 30 June 2019: net realised loss on disposal of financial assets at fair value through profit or loss of approximately HK\$767.4 million). By excluding the above-mentioned effect, the Group recorded a decrease in revenue of approximately HK\$148.5 million as compared to the corresponding period of 2019.

The Group recorded a loss before taxation of approximately HK\$176.3 million (six months ended 30 June 2019: approximately HK\$1,069.7 million). The loss before taxation was mainly attributable to (i) segment loss incurred by IoT solution and investing segment in aggregate of approximately HK\$74.9 million (six months ended 30 June 2019: in aggregate of approximately HK\$972.6 million); (ii) the finance costs of approximately HK\$112.8 million (six months ended 30 June 2019: approximately HK\$94.9 million); and (iii) offsetting with segment gain from the HMID, IDS and unallocated segment in aggregate of approximately HK\$11.4 million (six months ended 30 June 2019: segment gain from the HMID and IDS segment in aggregate of approximately HK\$35.1 million and segment loss incurred by unallocated segment in aggregate of approximately

HK\$37.4 million). Loss attributable to the owners of the Company for the Period was approximately HK\$160.5 million (six months ended 30 June 2019: approximately HK\$1,039.2 million). Loss for the Period was approximately HK\$177.1 million (six months ended 30 June 2019: approximately HK\$1,069.2 million).

Liquidity, Financial Resources, Borrowing and Gearing Ratio

The Group financed its operation largely through internal cash resources, interest-bearing borrowings and placing of promissory notes. As at 30 June 2020, the Group maintained its cash and bank balances (including pledged bank deposits) at approximately HK\$106.8 million (31 December 2019: approximately HK\$233.4 million). The decrease in cash and bank balances was mainly due to the cash used in operating activities during the Period. The Group's gearing ratio, expressed as a percentage of total borrowings and long-term debts (including promissory notes) over total deficit and borrowings and long-term debts (including promissory notes), was stated at 201.9% (31 December 2019: 162.8%). The increase in gearing ratio was mainly due to the loss for the Period of approximately HK\$177.1 million. As at 30 June 2020, the Group's net liabilities amounted to approximately HK\$852.9 million (as at 31 December 2019: net liabilities of HK\$633.4 million) with total assets amounted to approximately HK\$1,252.2 million (as at 31 December 2019: HK\$1,479.4 million). Current assets and current liabilities of the Group were approximately HK\$823.5 million (as at 31 December 2019: approximately HK\$986.7 million) and approximately HK\$2,084.0 million (as at 31 December 2019: approximately HK\$2,094.0 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 0.40 times (as at 31 December 2019: 0.47 times).

Capital Structure

There was no change in the Company's capital structure during the Period. As at 30 June 2020, the issued share capital of the Company amounted to HK\$11,022,580.53 and the number of issued ordinary shares was 11,022,580,530 with nominal value of HK\$0.001 each.

Foreign Currency Exposure

The Group is not subject to material foreign currency exposure since its operations in Hong Kong are mainly denominated in Hong Kong dollars and United States dollars and the Group's revenue and operating costs in the People's Republic of China (the "PRC") are denominated in the functional currency of the Group's entity making the sales or incurring the costs. The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. Accordingly, the Directors consider that the currency risk is not significant. As such, no hedging instrument is considered necessary by the Board during the Period. The Directors will monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

Pledge of Assets

As at 30 June 2020, bank and other borrowings of the Group amounted to HK\$430.0 million (31 December 2019: HK\$430.0 million) from financial institutions and a bank, among which (i) the bank borrowing of HK\$180.0 million (2019: HK\$180.0 million) was guaranteed by Mr. King Pak Fu (“**Mr. King**”), the controlling shareholder of the Company and secured by the charges over the entire issued share capital in certain subsidiaries of the Company; and (ii) the bank borrowing of HK\$250.0 million was guaranteed by Mr. King and was secured by 203,854,292 shares of Enterprise Development Holdings Limited (“**Enterprise Development**”), a non-wholly owned subsidiary of the Company.

As at 30 June 2020, the convertible bonds of US\$80 million with an outstanding principal balance of approximately HK\$724.6 million (31 December 2019: approximately HK\$696.6 million) were guaranteed by Mr. King and secured by the entire issued shares of the Group’s subsidiaries, Elite Dynamic Enterprises Limited and Best Elite Enterprises Limited. As at 30 June 2020, bank deposits of approximately HK\$4.7 million (31 December 2019: approximately HK\$7.5 million) were pledged to secure trade finance facilities and banking facilities granted to the Group.

The Group had no pledged property, plant and equipment as at 30 June 2020 and 31 December 2019.

The Directors closely monitor the Group’s liquidity position and financial performance and have initiated measures to improve the Group’s cash flows. In the opinion of the Directors, the Group will have sufficient working capital to meet in full its financial obligations as and when they fall due for the next fifteen months from the end of the reporting period. These measures include obtaining additional financing from certain financial institutions. The Group has obtained letters of undertakings from the controlling shareholder and certain companies controlled by the controlling shareholder of the Company confirming that they will provide financial support to the Group to meet its present and future financial obligations as they fall due in the next fifteen months. Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated financial statements on a going concern basis.

Material Acquisitions and Disposals

Deemed Disposal

On 4 February 2020, Enterprise Development (Stock Code: 1808), a non-wholly owned subsidiary of the Company whose shares are listed on the Stock Exchange, completed its placing of new shares under the general mandate. A total of 105,301,796 placing shares of Enterprise Development were allotted and issued to not less than six places at the placing price of HK\$0.249 per placing share.

Upon completion of the placing, the issued shares of Enterprise Development increased from 526,508,982 to 631,810,778 and the shareholding interest in Enterprise Development owned by Company and Mr. King, the controlling shareholder of the Company, decreased from approximately 38.71% to approximately 32.27% and from approximately 14.43% to approximately 12.03% respectively. As Mr. King undertook to act in concert with the Company, the aggregated shareholding interest in Enterprise Development decreased from approximately 53.14% to approximately 44.30%. Upon completion of the placing, the Company still has de facto control over Enterprise Development and the financial results of Enterprise Development is continue to be consolidated in that of the Company.

The placing constitutes a deemed disposal of the Company under Chapter 14 of the Listing Rules. Details of the placing of new shares of Enterprise Development were set out in the announcements of the Company dated 21 January 2020, 29 January 2020 and 10 February 2020.

Save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

Significant Investments

Save as disclosed in the paragraph headed “Securities Investment Business” below, the Group did not have any significant investment held as at 30 June 2020 nor any plans for material investments and capital assets.

Negotiations on acquisition of businesses and disposal of subsidiaries

Negotiation on acquisition of businesses

The Company is endeavouring to negotiate with a potential vendor for the acquisition of a company engaged in investment management and consultation and financial technology business in the mainland China (the “**Target Company**”). The principal businesses of the Target Company include (1) investment management and investment consultation; and (2) financial technology business focusing on AI-assisted investment advisory, big data platform and cloud service.

Negotiations on disposal of subsidiaries

The Company is negotiating with certain potential purchasers in respect of the disposal of equity interests in certain subsidiaries of the Company, namely Qingdao Jiashengtai Technology Services Co. Ltd* (青島嘉盛泰科技服務有限公司), Shenzhen CNEOP Technology Company Limited* (深圳市中光遠科技有限公司), Beijing Weein Software Technology Company Limited* (北京微應軟件科技有限公司) and Shenzhen Hexicom Technologies Company Limited* (深圳市海億康科技有限公司).

However, in light of the outbreak of the COVID-19, the abovementioned asset restructuring has been delayed. As at the date of this announcement, no binding agreements in relation to the above possible acquisition of businesses and disposal of subsidiaries has been entered into between the parties.

For details, please refer to five respective announcements of the Company all dated 26 February 2020 and the announcement of the Company dated 31 March 2020.

Events After the Reporting Period

Master Agreement entered into between the Company and Fujian Start

On 21 July 2020, the Company entered into the master agreement (the “**Master Agreement**”) with Fujian Start Group Company Limited* (福建實達集團股份有限公司) (“**Fujian Start**”, together with its subsidiaries and associates, the “**Fujian Start Group**”) in relation to the leasing of six levels of a commercial building with an aggregate gross floor area of approximately 5,371 square meters situated in Fuzhou, the PRC for commercial purposes, and the purchase of certain products and services by the Company, its subsidiaries and associates (excluding Enterprise Development, its subsidiaries and associates) from the Fujian Start Group, for a term of one year commencing from 1 January 2020 up to and including 31 December 2020.

As at the date of the Master Agreement, Mr. King was interested in 4,536,700,000 shares of the Company, representing approximately 41.16% of the issued share capital of the Company, and interested in approximately 38.92% of the equity interest in Fujian Start. As such, the Fujian Start Group is an associate of Mr. King, and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules which is subject to the reporting, annual review and announcement requirements but are exempted from the circular (including independent financial advice) and the independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

For details, please refer to the announcement of the Company dated 21 July 2020.

Winding Up Petition

On 19 March 2020, the Company received a winding up petition from the High Court of The Hong Kong Special Administrative Region (the “**High Court**”) (Companies Winding-up Proceedings No. 63 of 2020) (the “**Petition**”) in respect of certain alleged indebtedness in the sum of approximately HK\$195 million owed to certain individual bondholders. The Petition listed to be heard before the High Court was adjourned to 9 September 2020 by the High Court.

Details of the status of the Petition were set out in the announcements of the Company dated 20 March 2020, 31 March 2020, 8 June 2020, 19 June 2020, 17 July 2020 and 3 August 2020.

Contingent Liabilities

As at 30 June 2020, the Group did not have material contingent liabilities (31 December 2019: Nil).

BUSINESS REVIEW

The Group has the following major business activities during the Period:

IoT Business

The major business activities of the Group covers cloud computing and data processing and analysis, telecommunication infrastructure and technologies and terminal computing for corporate Integrated Smart Internet-of-Thing (“IoT”) systems.

The Group’s IoT business can be further divided into 3 segments, namely (i) IoT solution; (ii) HMID; and (iii) IDS. During the Period, the Group’s segment loss in IoT solution business amounted to approximately HK\$42.6 million and segment gain in HMID and IDS amounted to approximately HK\$1.7 million and HK\$5.6 million respectively.

Securities Investment Business

The Group invested in various financial instruments as both short-term and long-term investments. During the Period, the Group recorded segment loss of approximately HK\$32.2 million which mainly arising from the fair value loss on financial assets through profit or loss of approximately HK\$32.1 million (six months ended 30 June 2019: segment loss of approximately HK\$886.3 million which mainly arising from the net realised loss on disposal of financial assets at fair value through profit or loss of approximately HK\$767.4 million and fair value loss of financial assets at fair value through profit or loss of approximately HK\$129.7 million, net of dividend and interest income from financial assets at fair value through profit or loss of approximately HK\$12.6 million).

The Group’s significant investments (i.e. investment with carrying amount exceeding 5% of the total assets of the Group) held as at 30 June 2020 are as follows:

The Group has equity interests in Co-Lead Holdings Limited (“Co-Lead”), a company incorporated in the British Virgin Island (“BVI”) with limited liability. The investment cost of Co-Lead was HK\$247,500,000. As at 30 June 2020, the Group held 900 shares of Co-Lead, representing 8.58% (31 December 2019: 8.58%) equity interests in Co-Lead with fair value of HK\$161,468,000 (31 December 2019: HK\$218,966,000). During the six months ended 30 June 2020, a decrease in fair value of approximately HK\$57,498,000 (six months ended 30 June 2019: HK\$1,045,000) in Co-Lead was recognised in fair value reserve (non-recycling). As at 30 June 2020, the fair value of the equity interests in Co-Lead was determined by Valplus Consulting Limited (“Valplus”), an independent valuer (31 December 2019: Access Partner Consultancy & Appraisals Limited (“Access Partner”)) which was based on the P/B approach and adjusted by minority discounts at end of the reporting period. The principal activity of Co-Lead is investment holding. The investment in Co-Lead with carrying amount represents 12.9% of the total assets of the Group held as at 30 June 2020 (31 December 2019: 14.8%).

The Group has equity interest in Satinu Resources Group Limited (“**Satinu**”), a company incorporated in the BVI with limited liability. The investment cost of Satinu was HK\$175,000,000. As at 30 June 2020, the Group held 21,875,000 shares of Satinu, representing 1.76% (31 December 2019: 1.76%) equity interests in Satinu with fair value of HK\$107,771,000 (31 December 2019: HK\$121,790,000) which was classified as financial assets at fair value through profit or loss. During the six months ended 30 June 2020, a fair value loss of approximately HK\$14,019,000 (six months ended 30 June 2019: HK\$58,061,000) in respect of the investments in Satinu was recognised in profit or loss. As at 30 June 2020, the fair value of the equity interests in Satinu was determined by Valplus (31 December 2019: Access Partner), which was based on the P/B approach and adjusted by minority discount at end of the reporting period). The principal activities of Satinu are provision of integrated financial services, securities brokerage services, money lending, securities and other direct investments. The investment in Satinu with carrying amount represents 8.6% of the total assets of the Group held as at 30 June 2020 (31 December 2019: 8.2%).

The Group maintained a prudent investment strategy for the significant investments in Co-Lead and Satinu to mitigate the risks in its price fluctuations and potential losses with respect to the financial products. As the Group’s recent strategic planning is mainly to improve the Company’s operating performance and to reduce the Company’s debt ratio, save for the significant investments in Co-Lead and Satinu, the Company has no plan for other significant investments in near future.

Money Lending Business

The Group provided short-term loans to various borrowers. During the Period, the money lending business contributed a loan interest income of approximately HK\$0.1 million to the Group (six months ended 30 June 2019: approximately HK\$4.0 million).

OUTLOOK

IoT Business

The trade war between China and the United States was not resolved until the two sides reached an agreement in early 2020. Affected by the growing concerns over the COVID-19, economic situation of China and Hong Kong are expected to be uncertain.

Additionally, the severe competition in the information technology industry in China is expected to adversely affect the financial performance of the Group’s IoT solutions business and related businesses. In coming years, the operation of the IoT business is expected to remain challenging. The Group will endeavour to expand customer base in coming years to improve the financial performance of this segment. The Group’s management will continue to pay close attention to the prospect of profitable business segments and to maximize the interests of shareholders of the Company.

Looking forward, Rentian Technology will adopt a proactive attitude in the Chinese IoT sector and focus the capital and management resources on the core and major business activities by integrating the existing resources, promoting “IoT +” and optimizing the business portfolio.

A brief discussion and analysis of the operations of the Group is as follows.

Integrated Smart IoT Solutions Business

The Group has entered into the car loan risk control field with its smart IoT tracking technologies at the end of 2018. In the coming year, the Group will focus on developing solutions for the construction of smart communities and the car loan risk control solution business.

The Group continued to pursue IoT telecommunication development. In addition to EoC telecommunication equipment and fibre-optic telecommunication equipment for the existing telecommunication operators, the Group will continue to enlarge its share in the telecommunication operator market with the development and sale of auxiliary telecommunication products. New products such as homeplug has been successfully commercialised and applied by telecommunication operators.

The Group offers smart logistic bin products to renowned domestic and overseas logistic, e-commerce, retailing and catering brands. The Group expects that further enhancement will be seen in the coming year.

HMID Business

The Group focuses on commercial HMID and develops terminal hardware, software and service applications for treasury, taxation, finance, education and other key industries. It offers smart and mobile-internet corporate solutions including but not limited to industry-specific integrated or self-service systems, smart payment devices, printing devices and all-in-one cloud-based systems. Apart from the traditional banking sectors, the Group will continue to explore the national treasury and taxation and other sectors, in respect of the research and development of new products.

IDS Business

The Group provides specialised services to accelerate document-driven business processes to over 40 companies in the property insurance and life insurance industry in the PRC. The entire service process is supported by high level of confidentiality, data accuracy and processing velocity. The Group is also engaged in the development and sale of software products and technology and provision of IT services and operations in combination with various industry applications leveraging its technological expertise in the insurance sector.

The Group will continue to focus on developing its existing business as well as expanding into new innovative solutions with high growth potential.

Securities Investment Business

Triggered by the epidemic outbreak of COVID-19 in early 2020 and growing concerns and uncertainty over the Sino-United States trade, economic situation of China and Hong Kong are expected to be uncertain. The global stock market, including PRC and Hong Kong, suffered a severe blow due to the uncertainty of global business market. Given the unstable financial and investment environment, the Group will adopt a more prudent approach in securities investment that the Group will scale down its investment segment and put more resources and concentration in other operating segments.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFIT SCHEME

As at 30 June 2020, the Group had 1,449 employees including Directors in Hong Kong and in the PRC. Total employee benefits (including Directors' remuneration) were approximately HK\$82.8 million for the Period. Employee remuneration, bonus, share option scheme and training policies are commensurate with individual performance and experience and comparable to the market rate. The Group contributes to a Mandatory Provident Fund under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Other employee benefits include insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted its own code on corporate governance practices which incorporate all the code provision in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Company will continue to enhance the corporate governance standards throughout the Group and ensure further standards be put in place by reference to the recommended best practices whenever suitable and appropriate.

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions set out in the CG Code during the Period.

Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company had not appointed any individual to take up the position of the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) and role and functions of Chairman and the Chief Executive Officer have been performed by the executive Director. The Board will continually review its current structure and the need of appointment of a suitable person(s) to perform the role of Chairman and Chief Executive Officer.

Code provision A.4.1 stipulated that non-executive Directors should be appointed for a specific term and be subject to re-election. Mr. Chin Hon Siang, an independent non-executive Director, and each of Mr. Huang Xin and Mr. Leung Ka Tin, being former independent non-executive Directors resigned on 5 February 2020 and 16 March 2020 respectively, were not appointed for specific term. However, all non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to article 116 of the articles of association of the Company.

Code provision D.1.4 stipulated that directors should clearly understand delegation arrangements in place, and therefore the company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. There are neither service contract nor letter of appointment of (1) Mr. Chin Hon Siang, and (2) Mr. Huang Xin and Mr. Leung Ka Tin, being former independent non-executive Directors resigned on 5 February 2020 and 16 March 2020 respectively. The Board will nevertheless review the need to have the formal letter and service contract from time to time.

Code provision F.1.2 stipulated that the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution on 10 March 2020. The Board considers that, prior to the execution of the written resolution to appoint the current company secretary, all Directors were consulted on the matter without any dissenting opinion and the Directors consider that it is appropriate to deal with the matter by way of written resolution.

NON-COMPLIANCE WITH RULES 3.10(1), 3.21 AND 3.25 OF THE LISTING RULES

Following the resignation of Mr. Huang Xin as independent non-executive Director on 5 February 2020, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the audit committee of the Company (the “**Audit Committee**”) and Rule 3.25 of the Listing Rules with regard to the composition requirement of the remuneration committee of the Company (the “**Remuneration Committee**”).

Following the appointment of Mr. Su Jiang as independent non-executive Director on 29 April 2020, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirements set out in Rules 3.21 and 3.25 of the Listing Rules with regard to the composition of the Audit Committee and the Remuneration Committee respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealing in securities of the Company by the Directors. All Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Period.

PUBLICATION OF INTERIM RESULTS OF ENTERPRISE DEVELOPMENT

Enterprise Development has released its interim results for the six months ended 30 June 2020 on 28 August 2020, details of which are disclosed on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and Enterprise Development (<http://www.1808.com.hk>).

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal control systems, and review of the Group’s financial information. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chin Hon Siang (as committee chairman), Mr. Chan Tsang Mo and Mr. Su Jiang.

The unaudited interim financial statements of the Group for the Period have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The unaudited interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.rentiantech.com>). The 2020 interim report of the Company will be dispatched to the shareholders and available at the same websites in due course.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and the continuing support of our business partners, customers and the Company's shareholders.

By Order of the Board
Rentian Technology Holdings Limited
Li Xiaoguang
Executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises the following members:

Executive Director
Mr. Li Xiaoguang

Independent Non-executive Directors
Mr. Chin Hon Siang
Mr. Chan Tsang Mo
Mr. Su Jiang

* *For identification purpose only*