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)

(Stock Code: 08055)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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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.

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This announcement, 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 announcement 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 announcement misleading.

RESULTS

The board (the "Board") of directors (the "Directors") of China E-Information Technology Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative audited figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**57,856**	52,757
Cost of goods sold and services provided		**(28,892)**	(30,154)
Gross profit		**28,964**	22,603
Other income	7	**15,176**	9,040
Other losses	8	**(10)**	(3,079)
Administrative expenses		**(61,519)**	(65,335)
Impairment losses on investment in an associate	15	**(55,027)**	–
Equity-settled share-based payment		**–**	(28,905)
Finance costs, net	9	**(10,225)**	(6,370)
Share of result of investments in associates		**3,628**	5,649
Loss before tax		**(79,013)**	(66,397)
Income tax	11	**–**	–
Loss for the year	10	**(79,013)**	(66,397)
Loss for the year attributable to:			
Owners of the Company		**(90,842)**	(76,543)
Non-controlling interests		**11,829**	10,146
		(79,013)	(66,397)
Loss per share	13		
– Basic		**(2.44 cents)**	(2.21 cents)
– Diluted		**N/A**	N/A

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Loss for the year		**(79,013)**	(66,397)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations arising during the year		**(5,432)**	542
Other comprehensive (expense) income, net of income tax		**(5,432)**	542
Total comprehensive expense for the year		**(84,445)**	(65,855)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(96,274)**	(76,001)
Non-controlling interests		**11,829**	10,146
		(84,445)	(65,855)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Assets and liabilities			
Non-current assets			
Goodwill	14	**–**	–
Contingent consideration receivable		**–**	520
Financial assets at fair value through profit or loss		**15,107**	–
Property, plant and equipment		**9,588**	8,228
Investment in an associate	15	**51,000**	101,743
		75,695	110,491
Current assets			
Investment held for sale		**–**	38,000
Contingent consideration receivable		**14,619**	–
Due from an associate		**–**	14,304
Other receivables	16	**88,374**	77,239
Financial assets at fair value through profit or loss		**507**	565
Cash and cash equivalents		**70,898**	20,767
		174,398	150,875
Total assets		**250,093**	261,366
Current liabilities			
Trade and other payables	17	**29,249**	28,330
		29,249	28,330
Non-current liabilities			
Convertible notes		**34,645**	24,420
Deferred tax liabilities		**5,891**	5,891
		40,536	30,311
Total liabilities		**69,785**	58,641
Net current assets		**145,149**	122,545

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Total assets less current liabilities		**220,844**	233,036
Net assets		**180,308**	202,725
Capital and reserves			
Share capital		**375,130**	356,590
Reserves		**(212,500)**	(159,714)
Non-controlling interests		**17,678**	5,849
Total equity		**180,308**	202,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

China E-Information Technology Group Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands on 10 July 2001. The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Company acts as an investment holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year.

- HKFRS 9 *Financial Instruments*
- HKFRS 15 *Revenue from Contracts with Customers*
- *Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2*
- *Annual Improvements 2014-2016 cycle*
- *Transfers to Investment Property – Amendments to HKAS 40*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

Except as described in Note 4 "Changes in accounting policies" in relation to the adoption of HKFRS 9 and HKFRS 15, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 19	*Plan Amendment. Curtailment or Settlement*[1]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures*[1]
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3. HKFRS 11. HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date determined but available for early adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 16 was issued by the HKICPA in May 2016, which provides a comprehensive model for the identification of lease arrangements and their accounting treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current HKAS 17 *Leases*.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. A right-of-use asset includes the amount of initial measurement of a lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. A lease liability represents the present value of the lease payments. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, unless it meets the definition of investment property in HKAS 40; or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability will be subsequently increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For lessors, there is little change to existing accounting in HKAS 17 *Leases*. The Group expects to adopt HKFRS 16 on 1 January 2019.

The Group had total future minimum lease payments under non-cancellable operating lease as at 31 December 2018 amounting to approximately HK$9,517,000. The directors do not expect the adoption of HKFRS 16 would result in a significant impact on the Group's financial performance but expect that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into or existing leases expired before the date of adoption.

4. CHANGES IN ACCOUNTING POLICIES

The following explain the impact of the adoption of HKFRS 9 Financial instruments ("HKFRS 9") and HKFRS 15 Revenue from contracts with customers ("HKFRS 15") on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Adoption of HKFRS 9

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

There was no significant impact on the Group's financial position and financial results upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification and measurement

HKFRS 9 classifies financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its receivables.

(b) Adoption of HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition as follows:

Revenue is measured at the fair value of the consideration received or receivable based on the consideration specified in a contract with a customer for the services in the ordinary course of the Group's activities. Revenue is shown, net of discounts. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or services (that is an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset; and when specific criteria have been met for each of the Group's activities on the following bases:

(i) Tuition revenue from educational programs is recognised over time with reference to the detailed terms of relevant education programs as stipulated in the contracts. The performance obligation is satisfied over time as services are rendered.

(ii) Revenue from sales of educational materials and products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(iii) Interest income is recognised as it accrues using the effective interest method.

There was no significant impact on the Group's financial position and financial results upon initial application at 1 January 2018. Comparative information continues to be reported under HKAS 11 and HKAS 18.

5. OPERATING SEGMENT INFORMATION

Business segments

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.

Information about a major customer

No transactions with a single external customer amount to 10% or more of the Group's revenue during the years ended 31 December 2018 and 2017.

6. REVENUE

An analysis of the Group's turnover for the years is as follows:

	2018	2017
	HK$'000	*HK$'000*
Tuition fee revenue	**57,856**	52,757
	57,856	52,757

7. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income	**422**	203
Sundry income	**20**	200
Reversal of impairment loss on other receivable	**–**	2,975
Net exchange gains	**–**	5,470
Net realised gains on financial assets at fair value through profit or loss	**–**	192
Net unrealised gains on financial assets at fair value through profit or loss	**49**	–
Fair value change of contingent consideration receivable	**14,685**	–
	15,176	9,040

8. OTHER LOSSES

	2018	2017
	HK$'000	*HK$'000*
Net unrealised losses on financial assets at fair value through profit or loss	**–**	259
Net exchange losses	**10**	–
Impairment loss on asset held for sale (net of gain on waiver of contingent consideration of HK10,000,000)	**–**	1,640
Fair value change of contingent consideration receivable	**–**	1,180
	10	3,079

9. FINANCE COSTS, NET

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on financial liabilities measured at amortised cost	**10,225**	6,370
	10,225	6,370

10. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments)		
– Basic salaries and allowances	**16,829**	16,184
– Contributions to defined contribution plans	**918**	814
– Other	**555**	1,469
– Equity-settled share-based payments	**–**	27,278
Total staff costs	**18,302**	45,745
Auditors remuneration:		
– Audit service	**800**	800
Legal and professional fee	**12,263**	24,877
Depreciation of property, plant and equipment	**2,611**	2,031
Payments under operating lease for land and buildings	**5,550**	3,215
Equity-settled share-based payments (including staff and directors)	**–**	28,905
Impairment losses on other receivables	**3,000**	–

11. INCOME TAX

During the year ended 31 December 2018, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits in Hong Kong (2017: Nil).

PRC subsidiaries are subject to PRC Enterprise Income tax at 25% (2017: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(79,013)**	(66,397)
Tax at respective applicable tax rates	**(15,230)**	(9,432)
Tax effect of expenses not deductible for tax purposes	**30,619**	22,628
Tax effect of income not taxable for tax purposes	**(17,949)**	(16,804)
Tax effect of tax losses not recognised	**2,560**	3,608
Income tax for the year	**–**	–

12. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company of approximately HK$90,842,000 (2017: HK$76,543,000), and based on the weighted average number of shares in issue during the year of approximately 3,725,476,210 ordinary shares, as adjusted to reflect the exercise of share options and placing of shares (2017: 3,460,231,376 ordinary shares, as adjusted to reflect the shares by exercise of share options and conversion of convertible notes) during the year.

14. GOODWILL

	HK$'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	679,104
Accumulated impairment losses	
As at 1 January 2017, 31 December 2017 and 31 December 2018	(679,104)
Carrying amounts	
At 31 December 2018	–
At 31 December 2017	–

Notes:

i. Goodwill arose on acquisition of subsidiaries New Beida Business Study Net Group Limited is HK$647,598,000 on 27 February 2008.

ii. Goodwill arose on acquisition of subsidiaries, IIN Medical (BVI) Group Limited ("IIN Medical (BVI)") and its subsidiaries on 23 April 2009.

iii. Goodwill arose on acquisition of non-controlling interests of Hunan IIN Medical Network Technology Development Company Limited, a subsidiary of IIN Medical (BVI), in May 2009.

Goodwill arose on acquisition of ii and iii is HK$31,506,000.

15 INVESTMENT IN AN ASSOCIATE

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**101,743**	50,000
Reclassification to investment held for sale	**–**	(50,000)
Addition	**4,142**	89,880
Share of profits	**3,628**	6,009
Impairment loss	**(55,027)**	–
Exchange realignment	**(3,486)**	5,854
At 31 December	**51,000**	101,743

During the year, the Group made a provision for impairment loss on investment in an associate, Beijing Youli Lianxu Technology Co., Ltd ("Beijing Youli"), of approximately HK$55,027,000 (2017: HK$nil). The reason of recognising such impairment losses is due to decreasing consumer spending and general economic conditions. Recently, the threat of trade war severely affected consumer confidence and economic performance. Given that the success of the business of the associate is ultimately depends on consumer spending, the revenues and financial results are impacted to a significant extent by economic conditions in China and globally. The consumer spending is influenced by consumer perception of current and future economic conditions, as the growth of the Chinese economy has slowed recently, consumers are losing confidence and sacrifice online shopping. Looking forward, the trade war may further gloom the global economy.

The entire carrying amount of the investment in an associate is tested for impairment in accordance with HKAS 36 Impairment of Assets by comparing its recoverable amount with its carrying amount.

The Group has appointed an independent professional valuer to perform an appraisal of the recoverable amount of the associate as at 31 December 2018. The recoverable amount of the associate has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets from 2019 to 2023 by applying compound average growth rate of 26.4% and a discount rate of 14%. Cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

The recoverable amount of the associate is less than its carrying amount. Accordingly, a provision for impairment of approximately HK$55,027,000 was recognised during the year.

Details of the Group's associate are as follows:

Name of entity	**Place of business/ country of incorporation**	**Principal activities**	**% of ownership interest**		**Measurement method**
Shares held indirectly:					
			2018	2017	
Beijing Youli Lianxu Technology Co., Ltd.	PRC	e-commerce business	**49%**	49%	Equity

16. OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Deposits and other receivables	**145,887**	136,175
Deferred expenses	**8,551**	7,254
Prepayments	**2,774**	2,708
Less: impairment losses	**(68,838)**	(68,898)
	88,374	77,239

The movement for provision of impairment of other receivables is as follow:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**68,898**	71,341
Impaired	**3,000**	–
Reversed	**–**	(2,975)
Exchange realignment	**(3,060)**	532
At 31 December	**68,838**	68,898

17. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**–**	145
Other payables	**5,629**	5,166
Receipt in advance	**21,377**	18,136
Accrued charges	**2,243**	4,883
	29,249	28,330

An aging analysis of the trade payables as at the end of reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Over 90 days	**–**	145
	–	145

The average credit period on cost of goods sold and services provided is 1-3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded revenue of approximately HK$57,856,000 (2017: HK$52,757,000) representing tuition fee revenue and sales of educational products. Gross profit for the year under review was approximately HK$28,964,000 (2017: HK$22,603,000), representing a gross profit margin of 50.1% (2017: 42.8%) for the year under review.

During the year, cost of goods sold and services provided amounted to approximately HK$28,892,000 (2017: HK$30,154,000) representing the overheads incurred in the distance learning courses.

Other income for the year under review was approximately HK$15,176,000 (2017: HK$9,040,000) representing an interest income of approximately HK$422,000 (2017: HK$203,000), a sundry income of approximately HK$20,000 (2017: HK$200,000), net exchange gain of approximately HK$nil (2017: HK$5,470,000), reversal of impairment loss on other receivable of approximately HK$nil (2017: HK$2,975,000), net realised gain on financial assets at fair value through profit or loss of approximately HK$nil (2017: HK$192,000), net unrealised gain on financial assets at fair value through profit or loss of approximately HK$49,000 (2017: HK$nil), and fair value gain of contingent consideration receivable of approximately HK$14,685,000 (2017: fair value loss of HK$1,180,000).

Administrative expenses for the year under review were approximately HK$61,519,000 (2017: HK$65,335,000), of which staff related costs were approximately HK$18,302,000 (2017: HK$18,467,000). Legal and professional fees were approximately HK$12,263,000 (2017: HK$24,877,000) representing the costs of conducting due diligences and obtaining financial advices with ongoing projects.

Other losses for the year under review were approximately HK$10,000 (2017: HK$3,079,000), representing, a net unrealised losses on financial assets at fair value through profit or loss of approximately HK$nil (2017: HK$259,000), net exchange losses of approximately HK$10,000 (2017: gains of approximately HK$5,470,000), impairment loss on asset held for sale of approximately HK$nil (2017: HK$1,640,000) and fair value loss of contingent consideration receivable of approximately HK$nil (2017: HK$1,180,000).

The share of results of an associate of approximately HK$3,628,000 (2017: HK$5,649,000) is contributed by an associate, Beijing Youli Lianxu Technology Co., Ltd., ("Beijing Youli") which was acquired in April 2017.

No equity settled share-based payment were recognised for the year under review as no share options were granted during 2018 (2017: approximately HK$28,905,000). In 2017, the Company granted 330,000,000 Options to Grantees under the Company's Share Option Scheme adopted on 23 May 2011.

During the year, the Group made a provision for impairment loss on investment in an associate, Beijing Youli, of approximately HK$55,027,000 (2017: HK$nil). The reason of recognising such impairment losses is due to decreasing consumer spending and general economic conditions. Recently, the threat of trade war severely affected consumer confidence and economic performance. Given that the success of the business of the associate is ultimately depends on consumer spending, the revenues and financial results are impacted to a significant extent by economic conditions in China and globally. The consumer spending is influenced by consumer perception of current and future economic conditions, as the growth of the Chinese economy has slowed recently, consumers are losing confidence and sacrifice online shopping. Looking forward, the trade war may further gloom the global economy.

Finance costs during the year were approximately HK$10,225,000 (2017: HK$6,370,000).

Capital structure, liquidity and financial resources

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 31 December 2018, the Group has current assets of approximately HK$174,398,000 (2017: HK$150,875,000), including bank balances and cash of approximately HK$70,898,000 (2017: HK$20,767,000). Total non-current assets of the Group amounted to approximately HK$75,695,000 (2017: HK$110,491,000), representing property, plant and equipment, financial assets at fair value through profit or loss, investment in an associate and contingent consideration receivable. Total assets of the Group amounted to approximately HK$250,093,000 (2017: HK$261,366,000) as at 31 December 2018.

As at 31 December 2018, the Group did not have any outstanding bank borrowing. Total current liabilities of the Group were approximately HK$29,249,000 (2017: HK$28,330,000), which mainly comprised trade and other payables. Total liabilities of the Group were approximately HK$69,785,000 (2017: HK$58,641,000). As at 31 December 2018, the Group had net assets of approximately HK$180,308,000 (2017: HK$202,725,000).

Gearing ratio

Gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 0.28 as at 31 December 2018 (2017: 0.22).

Share Capital

As at 1 January 2018, the authorised share capital of the Company was HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each and the issued share capital of the Company was approximately HK$356,590,000 divided into 3,565,897,033 shares of HK$0.10 each.

During the year, 185,400,000 shares were issued upon exercise of shares options and share placement.

As at 31 December 2018, the authorised share capital of the Company was HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each and the issued share capital of the Company was approximately HK$375,130,000 divided into 3,751,297,033 shares of HK$0.10 each.

Convertible Notes 2011

The Group had reached several agreements with the holders of the Convertible Notes 2008 which became mature on 28 February 2011, and issued a promissory note for approximately HK$50 million for a settlement. In order to be able to raise sufficient fund for the settlement, the Group issued two tranches of convertible notes ("Convertible Notes 2011 A") on 9 May 2011 and ("Convertible Notes 2011 B") on 11 May 2011.

The aggregate principal of Convertible Notes 2011 A amounted to HK$89,999,934, bearing an interest of 1% per annum, maturing in 36 months from the date of issue, and convertible into ordinary shares at conversion price of HK$0.50 per share, subject to adjustments.

The aggregate principal of Convertible Notes 2011 B amounted to HK$36,200,000, bearing an interest of 1% per annum, maturing in 6 months from the date of issue, and convertible into ordinary shares at conversion price of HK$0.50 per share, subject to adjustments. On 11 November 2011, the maturity date was successfully postponed for another 6 months to 11 May 2012. Upon maturity, the principal amount together with the interests due were fully settled by a promissory note.

On 9 May 2014, the Company and the Subscribers entered into the Subscription Agreements pursuant to which the Subscribers have agreed to subscribe for, and the Company has agreed to issue, the Convertible Notes (CN2016-1 to CN2016-5) in the aggregate principal amount of HK$42,399,932, such that the subscription moneys payable in connection with the Subscription of such Convertible Notes would be set-off against the moneys payable by the Company for redeeming the CN2011A in accordance with the Payment Arrangement Deed and against the Indebtedness owing by the Company to the Existing P-note Holders at Completion.

The Convertible Notes 2011 A were fully set-off by the issuance of Convertible Notes (CN2016-3, CN2016-4 and CN2016-5) on 6 June 2014.

On 12 June 2014, the conversion rights attaching to the CN2016-1, CN2016-2 and CN2016-3 have been exercised in full and hence 231,076,922 shares have been issued.

On 13 June 2014, the conversion rights attaching to the CN2016-4 and CN2016-5 have been exercised in full and hence 95,076,399 shares have been issued. Hence, Convertible Notes 2016 (CN2016-1, CN2016-2, CN2016-3, CN2016-4 and CN2016-5) were fully converted.

On 21 July 2011, the Group entered into a subscription agreement with a group of independent subscribers for the issuance of some convertible notes in the aggregate principal amount of HK$42,000,000, bearing an interest rate of 3% per annum, maturing in 12 months from the date of issue, and convertible into ordinary shares at conversion price of HK$0.50 per share, subject to adjustments. Subsequently, the Group issued two tranches of convertible notes ("Convertible Notes 2011 C") on 25 August 2011 for the principal amount of HK$19,500,000 and ("Convertible Notes 2011 D") on 14 September 2011 for the principal amount of HK$22,500,000. Of which, tranche C was fully converted in 2011. On 10 September 2012, the maturity date of the tranche D was postponed for another 6 months to 7 March 2013. On 7 March 2013, the maturity date of the tranche D was further postponed for 12 months to 6 March 2014. As at 1 January 2014, the outstanding principal amount of the Convertible Notes 2011 D was HK$12,800,000.

On 6 March 2014, the Company has redeemed one of the Convertible Notes 2011 D with the principal amount of HK$10,000,000 in accordance with notice from the holder. The Company is contacting the holder of the Convertible Notes 2011 D with the principal amount of HK$2,800,000 in order to settle the convertible notes. As at 31 December 2018, the Company has not received any reply or notice from the holder and the Company has the funds available for settlement.

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.

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.

As at 31 December 2018, the aggregate outstanding principal amount of CN2020 was HK$54,948,600. The exercise in full of the vested conversion rights would result in the issue and allotment of 230,876,471 new shares of the Company.

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions were denominated in Hong Kong dollars and Renminbi. Although the exchange rate between Hong Kong dollars and Renminbi has been moderately changing, it remains relatively stable. As the expenditure in PRC was covered by the sales in 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 as minimal. As at 31 December 2018, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

Significant investments and material acquisition

During the year ended 31 December 2018, no significant investments were made by the Group (2017: The acquisition of 49% shareholding interest in Beijing Youli Lianxu Technology Company Limited ("Beijing Youli")).

Contingent liabilities and charges on the Group's assets

There were no significant contingent liabilities or charges on the Group's assets as at 31 December 2018 (2017: Nil).

OPERATIONAL OVERVIEW

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.

On 1 July 2010, the Joint Construction of Network Education College of Beijing University of Chinese Medicine Agreement（共建北京中醫藥大學網路教育學院協議書）("Joint Construction Agreement") entered into between Beijing University of Chinese Medicine（北京中醫藥大學）and Hunan IIN Medical Network Technology Development Co., Ltd. ("Hunan IIN Medical"), a subsidiary of IIN Medical (BVI), was successfully renewed. In accordance with the Joint Construction Agreement, Hunan IIN Medical's entitlement to share 60% of the profits of Distance Education College of Beijing University of Chinese Medicine（北京中醫藥大學遠程教育學院）("Distance Education College") is reduced to 51% profit-sharing percentage during the year 2010 while all other terms and conditions thereunder are not less favourable than those under the Joint Construction Agreement.

On 14 April 2015, Hunan IIN Medical, a wholly-owned subsidiary of the Company, entered into a supplemental agreement (the "Agreement") with the Beijing University of Chinese Medicine（北京中醫藥大學）("BUCM") for amending the agreement dated 29th June 2010 signed between them. Pursuant to the Agreement, Hunan IIN Medical will pass its daily business management and administrative management in respect of the Distance Education College of the Beijing University of Chinese Medicine（北京中醫藥大學遠程教育學院）(the "Distance Education College") to BUCM.

This arrangement is primarily made for the purpose of consolidating the daily business management and administrative management of the Distance Education College, so as to reduce operating costs and increase revenue, fully leverage the advantages of both parties in their respective areas, and lay a solid foundation for overall expansion in the future.

On 26 January 2018, a Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six Placees, on a best effort basis, for subscribing up to an aggregate of 330,000,000 Placing Shares at HK$0.35 per Placing Share. On 9 February 2018, the Company and the Placing Agent entered into a supplemental agreement (the "Supplemental Agreement") for amending the terms of the Placing Agreement, pursuant to which the deadline for fulfilment of the conditions to completion of the Placing (the "Long Stop Date") has been postponed from 9 February 2018 to 23 February 2018. For detailed information regarding the Placing Agreement and Supplemental Agreement, please refer to the announcement of the Company dated 26 January 2018 and 9 February 2018.

On 27 February 2018, 130,000,000 Placing Shares have been successfully placed to not less than six Placees at the Placing Price of HK$0.35 per Placing Share pursuant to the terms and conditions of the Placing Agreement (as amended by the Supplemental Agreement). For detailed information regarding the completion of the Placing, please refer to the announcement of the Company dated 27 February 2018.

On 23 March 2018, the Group entered into an agreement pursuant to which the seller Million Forever Limited agreed to sell the 45% shares of Business Harbour Limited to the original seller Happy Leisure Corp. which offered to repurchase the shares at a consideration of HK$38 million satisfied by cash. The disposal was completed in March 2018 and the Group, as a result, incurred a loss of approximately HK$1.6 million. For detailed information, please refer to the announcement of the Company dated 21 September 2018.

Given that there is tremendous growth potential of Chinese medicine market in Singapore, the Group has established a subsidiary "Sinzhongyi Consultancy PTE. Ltd." in Singapore on 28 June 2018. In future, the Group intends to establish a Chinese medicine health center and training center in Singapore.

In December 2018, the Company, Ocean Investment Asset Management GP Limited and Ocean Investment New Energy Fund LP entered into the Exempted Limited Partnership Agreement in relation to the Limited Partnership for carrying out investments. The Limited Partnership will primarily invest in new energy (including coal-to-liquids), big data, new materials, energy conservation and environmental protection, internet, medical, consumption upgrade. The Company agreed to subscribe and make a total of HK$15,000,000 capital contribution into the Limited Partnership. The termination date of the Limited Partnership and investment period shall be 4 years from the Initial Closing Date (i.e. 18 December 2018), subject to an extension for a 2-years period with the prior consent of the Investment Committee. The expected return of such investment is 6.5% per annum.

The e-learning business remained the core business of the Group in 2018. In future, the Company will continue to look for other attractive investments in the PRC and locally in an attempt to diversify into different business areas to reduce the reliance upon existing e-learning business and strengthen the positive cash flow and earnings for the Group in the long run.

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

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

Employee Information

For the year under review, the total staff costs amounted to approximately HK$18,302,000 (2017: HK$45,745,000), representing an decrease of approximately HK$27,443,000 over the previous year.

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. No share options were granted to employees of the Group in the current year (2017: 330,000,000 options were granted by the Company to Grantees under the Company's Share Option Scheme adopted on 23 May 2011.)

PROSPECTS

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.

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

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

AUDIT COMMITTEE

The Company has established an audit committee on 26 November 2001 with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures in compliance with the GEM Listing Rules. The committee currently comprises three independent non-executive directors, namely Ms. Yang Qingchun (the chairman of the committee), Mr. Tang Jiuda and Ms. Lu Xiaowei.

The primary duties of the audit committee are to review and to provide supervision over the financial reporting process, risk management and internal control system of the Group, to review the audit plan, audit findings and independence of the auditors of the Company, to review the Group's financial information and financial statements, annual reports, interim reports and quarterly reports, and to provide advice and recommendation thereon to the Board.

The Group's audited annual results for the year have been reviewed by the Audit Committee.

SCOPE OF WORK OF GI CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's independent auditor, GI CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by GI CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by GI CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year under review, the Group has adopted a code of conduct regarding securities transactions in securities of the Company by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding directors' securities transactions throughout the year ended 31 December 2018.

DIVIDEND

The Directors do not recommend any payment of final dividend (2017: Nil) for the year.

CORPORATE GOVERNANCE CODE COMPLIANCE

Pursuant to the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules of the Stock Exchange which sets out the principles of good corporate governance, the provisions of the Code (the "Code Provisions") and the recommended best practices, the Company has applied the principles and complied with all the Code Provisions as set out in the Code during the year ended 31 December 2018, with the exception of deviation set out below.

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Following the step down of Mr. Chen Hong from the office of chairman and an executive director of the Company on 14 February 2014, the Company has not appointed chairman, and the roles and functions of the chairman have been performed by all the executive directors collectively.

Under Code Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. During the year, all independent non-executive director is not appointed for a specific term of service. Since each of the independent non-executive directors is subject to rotation and re-election at the annual general meeting in accordance with the articles of association of the Company, as such, the Company considers that sufficient measures have been taken to serve the purpose of the Code Provision A.4.1 of the Code.

Under Code Provision A.6.7, independent non-executive directors and non-executive director should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Li Qunsheng, Mr. Tang Jiuda and Ms. Lu Xiaowei, the independent non-executive directors of the Company were unable to attend an annual general meeting of the Company held on 29 June 2018 due to their respective commitments elsewhere.

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

Hong Kong, 29 March 2019

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 announcement 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 announcement misleading.

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