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 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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 2020, together with the comparative audited figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*5*	**60,862**	63,124
Cost of services rendered		**(30,037)**	(26,983)
Gross profit		**30,825**	36,141
Other income	*6*	**4,896**	5,582
Other losses	*7*	**(1,157)**	(3,796)
Administrative expenses		**(38,662)**	(60,207)
Impairment loss on investment in an associate	*14*	**(16,668)**	(27,719)
Loss on disposal of a subsidiary		**(148)**	–
Equity-settled share-based payments		**–**	(30,800)
Finance costs	*8*	**(7,759)**	(13,267)
Share of result of an associate		**(4,280)**	(1,517)
Loss before tax		**(32,953)**	(95,583)
Income tax	*10*	**–**	–
Loss for the year	*9*	**(32,953)**	(95,583)
(Loss) profit for the year attributable to:			
Owners of the Company		**(46,349)**	(104,222)
Non-controlling interests		**13,396**	8,639
		(32,953)	(95,583)
Loss per share (HK Cents)	*12*		
– Basic		**(1.19 cents)**	(2.78 cents)
– Diluted		**N/A**	N/A

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Loss for the year		**(32,953)**	(95,583)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations arising during the year		**2,766**	(3,835)
Realisation of exchange fluctuation reserve upon disposal/deregistration of a subsidiary		**(74)**	(541)
Other comprehensive income/(expense), net of income tax		**2,692**	(4,376)
Total comprehensive expense for the year		**(30,261)**	(99,959)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(43,657)**	(108,598)
Non-controlling interests		**13,396**	8,639
		(30,261)	(99,959)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Assets and liabilities			
Non-current assets			
Goodwill	*13*	–	1,838
Financial assets at fair value through profit or loss		**6,513**	10,013
Property, plant and equipment		**2,449**	3,835
Right-of-use assets		**1,702**	4,483
Investment in an associate	*14*	**1,300**	22,000
		11,964	42,169
Current assets			
Contingent consideration receivable		–	16,025
Other receivables	*15*	**93,292**	104,113
Financial assets at fair value through profit or loss		**1**	305
Cash and cash equivalents		**16,917**	18,967
		110,210	139,410
Total assets		**122,174**	181,579
Current liabilities			
Convertible notes		–	47,669
Lease liabilities		**2,041**	5,566
Other payables	*16*	**24,684**	40,229
		26,725	93,464
Non-current liabilities			
Lease liabilities		**52**	1,381
		52	1,381
Total liabilities		**26,777**	94,845

	Notes	2020 HK$'000	2019 HK$'000
Net current assets		**83,485**	45,946
Total assets less current liabilities		**95,449**	88,115
Net assets		**95,397**	86,734
Capital and reserves			
Share capital		**393,486**	375,130
Reserves		**(315,210)**	(292,122)
Non-controlling interests		**17,121**	3,726
Total equity		**95,397**	86,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Below provide information on any changes in accounting pollices resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidation financial statements.

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the Amendments to Reference to the Conceptual Framework in HKFRS Standard and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. NEW AND REVISED HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have bee published but are not yet effective, and have not been early adopted by the Group. These new and revised HKFRSs included the following which may be relevant to the Group.

Amendments to HKFRS 16	COVID-19 Related Rent Concession[6]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-currnet[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]

1 Effective for annual period beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective date not yet determined

5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

6 Effective for annual period beginning on or after 1 June 2021

The Group is in the process of making an assessment of what impact of these amendments and new standards is expected to be in the period of initial application. So for the directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

4. 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.

Despite the Group acquired the entire equity interest of Earth Spa Inc Pte Ltd. ("Earth Spa"), a company incorporated in Singapore and engaging in the provision of healthcare services in Singapore during the year ended 31 December 2019, however 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, which is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

As at 31 December 2020, the Group's non current assets of approximately HK$2,636,000 (2019: HK$22,857,000) and HK$2,166,000 (2019: HK$7,761,000) were located in the PRC and Singapore respectively. In addition, there were approximately HK$7,162,000 (2019: HK$11,551,000) located in Hong Kong.

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 2020 and 2019.

5. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Contracts with customers within the scope of HKFRS 15:		
Tuition fee revenue recognised over time	**60,862**	63,124

6. OTHER INCOME

	2020 *HK$'000*	2019 *HK$'000*
Interest income	**2,785**	2,541
Sundry income	**1,028**	–
Net exchange gains	**287**	174
Gain on disposal of property plant and equipment	**79**	920
Government grant	**717**	–
Fair value change of contingent consideration receivable	**–**	1,406
Gain on deregistration of a subsidiary	**–**	541
	4,896	5,582

7. OTHER LOSSES

	2020 *HK$'000*	2019 *HK$'000*
Net unrealised losses on financial assets at fair value through profit or loss	**1,157**	3,796
	1,157	3,796

8. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Effective interest expense on convertible notes	**7,281**	13,024
Finance cost on lease liabilities	**131**	243
Others	**347**	–
	7,759	13,267

9. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year tax has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments)		
– Basic salaries and allowances	**16,775**	22,708
– Contributions to defined contribution plans	**1,436**	2,127
– Other	**1,894**	320
– Equity-settled share-based payments	**–**	27,300
Total staff costs	**20,105**	52,455
Auditors remuneration:		
– Audit service	**600**	600
Legal and professional fee	**1,129**	2,940
Depreciation of property, plant and equipment	**1,547**	3,250
Depreciation of right-of-use assets	**2,953**	1,123
Gain on disposal of property, plant and equipment	**(79)**	(920)
Gain on deregistration of a subsidiary	**–**	(541)
Loss on disposal of a subsidiary	**148**	–
Equity-settled share-based payments (including employee, directors and consultants)	**–**	2,500
Impairment loss on investment in an associate	**16,668**	27,719

10. INCOME TAX

During the year ended 31 December 2020, no Hong Kong profits tax has been provided in the financial statements as the Group did not generate any taxable profits in Hong Kong (2019: Nil).

PRC subsidiaries are subject to PRC Enterprise Income tax at 25% (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(32,953)**	(95,583)
Tax at respective applicable tax rates	**(5,936)**	(17,884)
Tax effect of expenses not deductible for tax purposes	**15,889**	34,173
Tax effect of income not taxable for tax purposes	**(11,742)**	(18,393)
Tax effect of tax losses not recognised	**1,789**	2,104
Income tax for the year	**–**	–

11. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

12. 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$46,349,000 (2019: HK$104,222,000), and the weighted average number of shares in issue during the year of approximately 3,877,682,292 ordinary shares (2019: 3,751,297,033 ordinary) shares during the year.

13. GOODWILL

	2020	2019
	HK$'000	*HK$'000*
Reconciliation of carrying amount		
At beginning of reporting period	**1,838**	–
Acquisition of a subsidiary	**–**	1,838
Disposal of a subsidiary	**(1,838)**	–
At end of reporting period	**–**	1,838

In 2019, the Group acquired 100% issued share capital of Earth Spa Inc Pte Ltd. ("Earth Spa") from an independent third party at a consideration of approximately SGD100,000 (equivalent of approximately HK$574,000). Earth Spa is a company incorporated in Singapore with limited liability. Earth Spa is principally engaged in the provision of healthcare services in Singapore. The directors are of the view that the acquisition provides opportunities to the Company to broaden its business portfolio.

During the year ended 31 December 2020, goodwill with carrying value was derecognised upon disposal of Earth Spa.

Before disposal of Earth Spa, goodwill is allocated to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to the Group's CGU's identified as healthcare service business from Earth Spa.

As at 31 December 2019, the Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

As at 31 December 2019, the recoverable amount of CGU has been determined on the basis of value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period by applying average growth rate of 3% from 2020 to 2024. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3% per annum. The discount rates used, which management estimates to reflect current market assessments of the time value of money and the risks specific to the CGU's cash flows are 11%.

The directors believe that any reasonably possible change in any of there assumptions would not cause the carrying amount of goodwill of Earth Spa to exceed its recoverable amount.

14. INVESTMENT IN AN ASSOCIATE

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**22,000**	51,000
Addition	**–**	794
Share of losses	**(4,280)**	(1,517)
Impairment losses	**(16,668)**	(27,719)
Exchange realignment	**248**	(558)
At 31 December	**1,300**	22,000

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$16,668,000 (2019: HK$27,719,000) due to decreasing consumer spending and general economic conditions. Following the outbreak of trade war in 2018 and COVID 19 in 2019, it continuously affect global economies. The trade war in 2018 and COVID 19 in 2019, brought negative effect on the economies where the associate operates, consumers are losing confidence and sacrifice online shopping.

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 2020. 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 2021 to 2025 by applying average growth rate of 14.8% (2019: 26%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3% (2019: 3%) per annum. The discount rate used is 14% (2019: 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$16,668,000 (2019: HK$27,719,000) 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:					
			2020	2019	
Beijing Youli	PRC	e-commerce business	**49%**	49%	Equity

15. OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Deposits and other receivables	**160,700**	152,328
Deferred expenses	**–**	15,072
Prepayments	**1,848**	2,615
Less: impairment losses	**(69,256)**	(65,902)
	93,292	104,113

At the end of each reporting period, the Group's other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the ECL. It has been considering the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

As at 31 December 2020, approximately HK$44,699,000 (2019: HK$86,926,000) of the other receivables are guaranteed by independent third parties.

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

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**65,902**	68,838
Exchange realignment	**3,354**	(2,936)
At 31 December	**69,256**	65,902

16. OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Other payables	**12,231**	5,251
Receipts in advance	**–**	30,439
Accrued charges	**12,453**	4,539
	24,684	40,229

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded revenue of approximately HK$60,862,000 (2019: HK$63,124,000), representing tuition fee revenue. Gross profit for the year under review was approximately HK$30,825,000 (2019: HK$36,141,000), representing a gross profit margin of 50.6% (2019: 57.3%) for the year under review.

During the year, cost of goods sold and services provided amounted to approximately HK$30,037,000 (2019: HK$26,983,000), representing the overheads incurred in the distance learning courses.

Other income for the year under review was approximately HK$4,896,000 (2019: HK$5,582,000) representing an interest income of approximately HK$2,785,000 (2019: HK$2,541,000), a sundry income of approximately HK$1,028,000 (2019: HK$nil), fair value change of contingent consideration receivable of approximately HK$nil (2019: HK$1,406,000), net exchange gains of approximately HK$287,000 (2019: HK$174,000), gain on disposal of property, plant and equipment of approximately HK$79,000 (2019: HK$920,000) and gain on deregistration of a subsidiary of approximately HK$nil (2019: HK$541,000), and government grant of approximately HK$717,000 (2019: HK$nil).

Administrative expenses for the year under review were approximately HK$38,662,000 (2019: HK$60,207,000), of which staff related costs were approximately HK$20,105,000 (2019: HK$52,455,000) and legal and professional fees were approximately HK$1,129,000 (2019: HK$2,940,000).

Other losses for the year under review were approximately HK$1,157,000 (2019: HK$3,796,000), representing a net unrealised losses on financial assets at fair value through profit or loss.

The share of loss of an associate of approximately HK$4,280,000 (2019: share of loss of HK$1,517,000) is contributed by an associate, Beijing Youli Lianxu Technology Co., Ltd., (“Beijing Youli”) which was acquired in April 2017.

Equity-settled share-based payment amounted to HK$nil were recognised for the year under review (2019: HK$30,800,000).

During the year, the Group made a provision for impairment loss on investment in an associate, Beijing Youli, was HK$16,668,000 (2019: HK$27,719,000). The reason of recognising such impairment losses is due to decreasing consumer spending and general economic conditions. Following the outbreak of trade war in 2018, it continuously affect global economies. The trade war brought negative effect on the economies, consumers are losing confidence and sacrifice online shopping.

In addition, the novel coronavirus pneumonia (COVID-19) outbreak has opened up the possibility of a economy recession, this has created a significant adverse impact on the economic and has the potential to cause market dislocation. The coronavirus outbreak is hitting people and economy hard, economists predict the economy and GDP growth will slow in next year. Therefore, the financial forecasts were hit by economic disruption from the outbreak.

Finance costs during the year were approximately HK$7,759,000 (2019: HK$13,267,000).

Capital structure, liquidity and financial resources

The Group financed its business operations mainly by cash revenue generated internally from operating activities. As at 31 December 2020, the Group has current assets of approximately HK$110,210,000 (2019: HK$139,410,000), including bank balances and cash of approximately HK$16,917,000 (2019: HK$18,967,000). Total non-current assets of the Group amounted to approximately HK$11,964,000 (2019: HK$42,169,000), representing property, plant and equipment, financial assets at fair value through profit or loss, goodwill, investment in an associate and right-of-use assets. Total assets of the Group amounted to approximately HK$122,174,000 (2019: HK$181,579,000) as at 31 December 2020.

As at 31 December 2020, the Group did not have any outstanding bank borrowing. Total current liabilities of the Group were approximately HK$26,725,000 (2019: HK$93,464,000), which mainly comprised other payables, convertible notes and lease liabilities. Total liabilities of the Group were approximately HK$26,777,000 (2019: HK$94,845,000). As at 31 December 2020, the Group had net assets of approximately HK$95,397,000 (2019: HK$86,734,000).

Gearing ratio

Gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 0.22 as at 31 December 2020 (2019: 0.52).

Share Capital

As at 1 January 2020 and 31 December 2020, 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$393,486,000 divided into 3,934,856,576 shares of HK$0.10 each.

Convertible Notes 2020

On 11 October 2016 and 24 October 2016, the Company entered into the Sale and Purchase Agreement and Supplemental Agreement with the Vendor in relation to the acquisition of 49% equity interest in Beijing Youli Lianxu Technology Company Limited ("Beijing Youli").

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

The noteholders converted CN2020 in the principal amount of HK$36,632,400 on 15 May 2017.

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

During the year ended 31 December 2019, Beijing Youli failed to meet the 2018 Profit Target (being the net profit after tax of Beijing Youli for the period from 1 April 2018 to 31 March 2019 in the amount of HK$15,120,000), the consideration payable to the vendors shall be reduced by approximately HK$11,261,429.

On 24 April 2020, the Company allotted and issued of 183,559,542 new shares upon exercised of the conversion rights attaching to the CN2020 in principal amounts of HK$43,687,171.

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 2020, 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 2020, no significant investments and material acquisition were made by the Group (2019: nil).

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 2020 (2019: 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 29 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.

As announced on 2 July 2010, the Joint Construction Agreement has expired on 30 June 2020. Due to the corresponding epidemic prevention and isolation or blockade measures for the outbreak of COVID-19 in many countries in this year, therefore, the issue of the continuation of the agreement or liquidation of the Distance Education College between Hunan IIN Medical and Beijing University of Chinese Medicine is still under discussion in the negotiation, the Group will work hard to reach the final result with Beijing University of Chinese Medicine as soon as possible.

On 24 April 2020, the Company allotted and issued 183,559,543 new shares upon exercises of the conversion rights attaching to the Convertible Notes 2020 (CN2020) in principal amounts of HK$43,687,171. Subsequently, the Company did not issue new convertible notes.

The Company did not grant any new share options and convertible bonds during 2020.

As mentioned above regarding the Joint Construction Agreement entered into between Beijing University of Chinese Medicine (北京中醫藥大學) and Hunan IIN Medical, it was stated in the announcement dated 2 July 2010 that the Joint Construction Agreement would expire on 30 June 2020. But as various countries having implemented corresponding anti-pandemic quarantine or lockdown measures against the novel coronavirus (COVID-19) outbreak during the year, Hunan IIN Medical and Beijing University of Chinese Medicine are therefore still undergoing negotiations in relation to issues concerning the renewal of the Joint Construction Agreement or the liquidation of Distance Education College. However, the Group will strive to reach final results from negotiations with Beijing University of Chinese Medicine as soon as possible.

As the COVID-19 outbreak has imposed a certain degree of impact on the operations of Earth Spa Inc Pte Ltd., therefore, in order to minimize the economic losses caused by the pandemic, the Group completed the disposal of its entire 100% equity interests in Earth Spa Inc Pte Ltd. to an independent third party in March 2020. Moreover, after the Group's several unremitting attempts amidst the pandemic outbreak, it finally managed to sell Earth Spa Inc Pte Ltd. to the purchaser at a consideration of SGD60,000 (equivalent to approximately HK$326,000). Earth Spa Inc Pte Ltd. is principally engaged in the provision of healthcare services in Singapore.

On 5 August 2019, Sinzhongyi Consultancy PTE Ltd. (新中醫諮詢服務有限公司) ("Sinzhongyi", a wholly owned subsidiary of the Company) and Eastern Art Holdings PTE Limited (東方藝術控股私人有限公司) ("Eastern Art") entered into a memorandum of cooperation (the "Memorandum of Cooperation") in relation to the cooperation on the development of a traditional Chinese medicine recuperation and tourism development project in Jurong Lake District, Singapore. Subsequently, on 14 November 2019, Sinzhongyi and Eastern Art entered into a supplemental memorandum of cooperation in relation to the cooperation on the development of the Target Project (the "Supplemental Memorandum of Cooperation"). Pursuant to the Supplemental Memorandum of Cooperation, Sinzhongyi and Eastern Art will jointly invest in establishing a joint venture company (the "Joint Venture Company") to develop the Target Project, in which Sinzhongyi and Eastern Art will hold 51% and 49% equity interest, respectively. The Target Project will be named the "Traditional Chinese Medicine Recuperation and Tourism Development Project". The Target Project comprises the construction of a centralised traditional Chinese medicine recuperation centre, a nursing home, a traditional Chinese medicine research and development centre and talent training centre, as well as a traditional Chinese medicine museum, a botanic garden, a hotel, apartments and the relevant ancillary commercial facilities in Jurong Lake District, Singapore. It will occupy a site area of 70,000 square metres and have a total gross floor area of no less than 100,000 square metres. The Target Project will be operated by the Joint Venture Company to build an overseas education base for the remote traditional Chinese medicine education school of the Group. Further details of the establishment of the Joint Venture Company (including but not limited to the amount of capital contribution) will be determined following further negotiations between Sinzhongyi and Eastern Art.

On 10 November 2020, the Company and two vendors (namely Beijing Asia Intelligence Technology Company Limited* (北京亞細亞智業科技有限公司) ("Beijing Asia Intelligence") and Mr. Huang Jiang (黃疆) ("Huang Jiang") respectively) entered into a memorandum of understanding in relation to the acquisition of Tianjin Mars Technology Co., Ltd.* (天津火星科技有限公司) ("Tianjin Mars Technology") by the Company. In addition, on 18 December 2020, Beijing Hua Tuo Education Technology Company Limited* (北京華拓教育科技有限公司) ("Beijing Hua Tuo Education Technology", a wholly-owned subsidiary of the Company) entered into an agreement with Beijing Asia Intelligence and Huang Jiang in relation to the acquisition of the entire equity interest in Tianjin Mars Technology by the Company. The consideration of such acquisition paid by the Company was up to RMB5,000,000 (equivalent to approximately HK$5,900,000). The relevant terms of the acquisition were set out in the announcement dated 18 December 2020.

Tianjin Mars Technology is engaged in the business of software technology development and consultation, computer system integration, software development and wholesale and retail of computer and foreign equipment in China. 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. Beijing Hua Tuo Education Technology (a wholly-owned subsidiary of the Group) is also principally engaged in the provision of occupational education, industry certification course, skills training and education consultation. Upon completion of such acquisition, Tianjin Mars Technology will be wholly-owned by Beijing Hua Tuo Education Technology and its results will be consolidated into the Company's accounts.

As disclosed in the Company's annual report for the year ended 31 December 2020, the Company is looking for opportunities in developing both vertically and horizontally within the Group's existing medical education platform and expanding further into other service networks. The Board considers that the Acquisition provides the Company an opportunity to tap into the database and data storage market and enables the Company to broaden its business scope horizontally. Meanwhile, it is expected that the Acquisition can create strategic synergy with the Group's existing business by sharing business resources and providing customers with integrated internet platform, database and data storage solution services. The Directors also believe that the Acquisition could enhance the revenue and earnings of the Group in the future. Based on the above, the Directors considered that the terms of the Acquisition are fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Tianjin Mars Technology has completed the procedure for the transfer of equity interests on 25 March 2021, and it becomes a wholly-owned subsidiary of the Company.

On 8 December 2020, the Company entered into a memorandum of understanding (the "MOU") with Shanghai Kunyi Investment Management Co., Ltd.* (上海坤翼投資管理有限公司), Shenzhen Longhui Fund Management Co., Ltd.* (深圳隆徽基金管理有限公司), Suzhou Huaxin Sunda Lichuang Investment Enterprise (L.P.)* (蘇州華信善達力創投資企業(有限合伙)), Ningbo Meishan Free Trade Port Zone Jiayi Equity Investment Fund Partnership Enterprise (L.P.)* (寧波梅山保税港區佳益股權投資基金合伙企業(有限合伙)) and Wuhu Huarong Purun Investment Center (L.P.)* (蕪湖華融普潤投資中心(有限合伙)). According to the MOU, the Company intends to acquire, and the Vendors intend to dispose part or all of the issued share capital of a company incorporated in the PRC (the "Target Company") (the "Possible Acquisition"). The Target Company is principally engaged in meeting the application needs of government transparency, government services and smart cities through major cooperation with various local broadcasting medium, as well as developing official platforms for various government-led supports and promotion work in the PRC. The number of share equity and consideration for the Possible Acquisition and the manner of payment shall be further negotiated between the Company and the Vendors and be determined in the Formal Agreement.

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 and to strengthen the positive cash flow and earnings for the Group in the long run.

Employee Information

For the year under review, the total staff costs (including the share based payment expense) amounted to approximately HK$20,105,000 (2019: HK$52,455,000), representing an decrease of approximately HK$32,350,000 over the previous year. The decrease was mainly because the Company did not grant any share option in 2020 (2019: 375,100,000).

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 (2019: 288,500,000).

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 nonexecutive directors, namely Mr. Tang Jiuda (the chairman of the committee), Ms. Yang Qingchun 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 Board also delegated certain corporate governance functions to the audit committee, including the review and monitoring of (a) the Group's policies and practices on corporate governance and make recommendations to the Board; (b) the training and continuous professional development of Directors and senior management; (c) the Group's policies and practices on compliance with legal and regulatory requirements; (d) the code of conduct of the Group applicable to employees and Directors; and (e) the Group's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2020, the audit committee held 7 meetings to approve the nature and scope of the statutory audits, and review the annual, interim, quarterly consolidated financial statements of the Group, and details of the attendance of each member of the committee are set out as follows:

Committee Members	**Attendance**
Ms. Yang Qingchun	7/7
Mr. Tang Jiuda	7/7
Ms. Lu Xiaowei	7/7

The minutes of the audit committee meetings are kept by the company secretary. The draft and final versions of the minutes are circulated to all committee members for their comments and records within a reasonable time after each meeting.

The Board has not taken any different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The Company's annual audited results for the year ended 31 December 2020 have been reviewed by the audit committee.

SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) 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 2020 as set out in this announcement have been agreed by the Group's independent auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) 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 McMillan Woods (Hong Kong) 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 2020.

DIVIDEND

The Directors do not recommend any payment of final dividend (2019: 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 2020, 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. Ms. Yang Qingchun, 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 2020 due to their respective commitments elsewhere. The Company will endeavour to arrange the future general meetings with the presence of the non-executive director and independent non-executive directors so as to fulfill the requirement of Code Provision A.6.7.

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

Hong Kong, 31 March 2021

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, Ms. Wong Hiu Pui and Mr. Lin Ruiping; and three independent non-executive Directors, namely, Ms. Yang Qingchun, Mr. Tang Jiuda and Ms. Lu Xiaowei.

This 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 www.irasia.com/listco/hk/chieinfotech/ for at least 7 days from the date of its publication.