

A large, stylized calligraphic logo consisting of two intertwined, flowing shapes. The left shape is dark purple, and the right shape is white. The background is a gradient from purple at the top to yellow at the bottom, with diagonal light streaks.

Interim Report



中国网络教育集团有限公司

CHINA E-LEARNING GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8055

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 report, for which the directors of China E-Learning Group Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board (the “Board”) of directors (“Directors”) of China E-Learning Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months and three months ended 30 June 2009, together with the comparative unaudited figures of the corresponding period in 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	3	1,269	27,660	993	20,233
Cost of sales		(5,502)	(4,705)	(3,341)	(4,037)
Gross (loss)/ profit		(4,233)	22,955	(2,348)	16,196
Other income	3	10	136	8	12
Administrative expenses		(8,946)	(8,260)	(4,259)	(5,254)
(Loss)/profit from operation		(13,169)	14,831	(6,599)	10,954
Finance costs	4	(20,764)	—	(10,285)	—
(Loss)/profit before taxation	5	(33,933)	14,831	(16,884)	10,954
Taxation	6	—	(3,834)	—	(2,863)
(Loss)/profit for the period		(33,933)	10,997	(16,884)	8,091
Attributable to:					
Owners of the Company		(33,933)	10,997	(16,884)	8,091
Non-controlling interests		—	—	—	—
		(33,933)	10,997	(16,884)	8,091
Dividend	7	—	—	—	—
Basic (loss)/profit per share	8	(2.33) cents	1.52 cents	(1.13) cents	0.92 cents
Diluted (loss)/profit per share	8	N/A	0.35 cents	N/A	0.19 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss)/profit for the period	(33,933)	10,997	(16,884)	8,091
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	655	2,095	802	46
Total comprehensive income /(loss) for the period	(33,278)	13,092	(16,082)	8,137
Attributable to:				
Owners of the Company	(33,278)	13,092	(16,082)	8,137
Non-controlling interests	—	—	—	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
	Notes		
Non-current assets			
Plant and equipment		8,744	6,751
Intangible assets		35,300	36,907
Goodwill		353,450	326,115
Financial derivative		53,416	64,455
Deposit		—	5,650
		450,910	439,878
Current assets			
Inventories		106	25
Trade and other receivables	9	17,429	12,478
Tax recoverable		2,138	2,110
Cash and bank balances		5,261	2,636
		24,934	17,249
Current liabilities			
Trade and other payables	10	8,401	3,568
Amounts due to directors		250	251
		8,651	3,819
Net current assets		16,283	13,430
Non-current liabilities			
Other payable		6,780	—
Other loan		49,435	49,435
Financial derivative		489	—
Convertible notes payable		279,803	341,070
		336,507	390,505
NET ASSETS		130,686	62,803
CAPITAL AND RESERVE			
Share capital	11	194,682	141,382
Reserves		(63,996)	(78,579)
TOTAL EQUITY		130,686	62,803

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) for the six months ended 30 June 2009 HK\$'000	(Unaudited) 2008 HK\$'000
Net cash (outflow)/inflow from operating activities	(8,291)	51,643
Net cash inflow/(outflow) from investing activities	10,911	(168,330)
Net cash inflow from financing activities	—	117,025
Increase in cash and cash equivalents	2,620	338
Cash and cash equivalents at the beginning of period	2,636	22,567
Effect of exchange rate changes	5	2,095
Cash and cash equivalents at the end of period	5,261	25,000
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	5,261	25,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Share capital	Share premium	Share-based payment reserve	Convertible Capital reserve	Convertible note equity reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests (Note)	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 1 January 2008	25,364	41,562	5	24,415	—	—	(69,797)	21,549	—	21,549
Total comprehensive income for the period	—	—	—	—	—	2,095	10,997	13,092	—	13,092
Issue of placing shares	50,000	25,000	—	—	—	—	—	75,000	—	75,000
Share issue expenses	—	(1,975)	—	—	—	—	—	(1,975)	—	(1,975)
Share issue upon conversion of Convertible Notes	22,000	22,000	—	—	—	—	—	44,000	—	44,000
As of 30 June 2008	97,364	86,587	5	24,415	—	2,095	(58,800)	151,666	—	151,666
As of 1 January 2009	141,382	130,605	24,632	24,415	173,974	3,454	(435,659)	62,803	—	62,803
Total comprehensive income (loss) for the period	—	—	—	—	—	655	(33,933)	(33,278)	—	(33,278)
Issue of shares by conversion of convertible notes	53,300	65,681	—	—	(42,342)	—	—	76,639	—	76,639
Equity component of convertible notes	—	—	—	—	24,522	—	—	24,522	—	24,522
As of 30 June 2009	194,682	196,286	24,632	24,415	156,154	4,109	(469,592)	130,686	—	130,686

Note: The share of losses by non-controlling interests of the Group was already up to their investment costs as at 30 June 2009.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 10 July 2001. The shares of the Company are listed on GEM of The Stock Exchange.

The address of the head office and principal place of business of the Company is Unit 3306, 33/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The financial statements are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries are HK\$.

The Company and its subsidiaries (collectively the “Group”) are engaged in the provision of occupational education, industry certification course, skills trading and education consultation.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements as set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange the GEM Listing Rules.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2009 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2008 except for the following amendments and interpretations (“New HKFRSs”) issued by HKICPA which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation
HKFRS 7	Financial Instruments: Disclosures — Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — 9	Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments Recognition and Measurement
HK(IFRIC) — 13	Customer Loyalty Programmes
HK(IFRIC) — 15	Agreements for the Construction of Real Estate
HK(IFRIC) — 16	Hedges of a Net Investment in a Foreign Operations

The adoption of the above New HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited consolidated financial statements.

3. TURNOVER AND OTHER INCOME

Turnover represents revenue of the Group from the provision of occupational education, industry certification course, skills training and education consultation. Turnover comprises the following:

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Online professional training and multi media education products income	1,269	27,583	993	20,233
System services and maintenance income	—	77	—	—
	1,269	27,660	993	20,233
Other income				
Interest income	10	136	8	12

4. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on convertible notes measured at amortized cost	20,581	—	10,102	—
Fair value changes on financial derivative	183	—	183	—
	20,764	—	10,285	—

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation has been arrived at after charging:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of plant and equipment	589	153	346	136
Staff costs (including directors' emoluments)	3,721	2,644	1,866	1,969

6. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods.

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applicable to the Group companies which operated in the PRC.

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	—	3,834	—	2,863

7. DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2009. (2008: nil).

8. (LOSS)/PROFIT PER SHARE

The calculation of the basic and diluted (loss)/profit per share attributable to the ordinary equity holders of the Company is based on the following data:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000

Unaudited (loss)/profit for the period for the purpose of basic and diluted (loss)/profit per share	(33,933)	10,997	(16,884)	8,091
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Number of shares	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2009	2008	2009	2008

Weighted average number of ordinary shares for the purpose of basic (loss)/profit per share	1,455,852,624	722,762,729	1,497,423,871	884,191,301
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Weighted average number of ordinary shares for the purpose of diluted (loss)/profit per share	N/A	3,130,015,476	N/A	4,353,641,850
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Diluted loss per share for the six months and three months ended 30 June 2009 are not presented because the Company's outstanding options and convertible loan notes outstanding during the six months and three months ended 30 June 2009 had an anti-dilutive impact.

9. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
Trade receivables	1,486	585
Other receivables		
Deposits and other receivables	14,723	11,067
Less: other receivables written off	—	(468)
Prepayments	1,220	1,294
	17,429	12,478

The aging analysis of trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
Within 30 days	—	6
31 to 60 days	—	—
61 to 90 days	—	14
Over 90 days	1,486	565
	1,486	585

The carrying amounts of the trade and other receivables approximate their fair values.

10. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
Trade payable	1,404	1,109
Other payables		
Receipts in advance	28	933
Accrued charges and other creditors	6,969	1,526
	8,401	3,568

The aging analysis of trade payable as at the balance sheet date is as follows:

	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
Within 30 days	—	447
31 to 60 days	311	488
61 to 90 days	568	152
Over 90 days	525	22
	1,404	1,109

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

11. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.1 each		
Authorised		
At 1 January 2009 and		
At 30 June 2009	10,000,000,000	1,000,000
Issued and fully paid		
At 1 January 2009	1,413,819,475	141,382
Issue of new shares upon conversion of convertible notes (Note)	533,000,000	53,300
At 30 June 2009	1,946,819,475	194,682

Note:

On 10 June 2009, 245,000,000 Shares were issued upon conversion of convertible notes in a principal amount of HK\$49,000,000 on 18 June 2009, 220,000,000 Shares were issued upon conversion of convertible notes in a principal amount of HK\$44,000,000 and on 29 June 2009, 68,000,000 Shares were issued upon conversion of convertible notes in a principal amount of HK\$13,600,000.

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2009 (31 December 2008: Nil).

13. COMMITMENTS

- (a) At 30 June 2009, the Group had the following commitments in respect of operating leases of rented premises and office equipment:

	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
Within one year	5,071	5,071
In second to fifth year inclusive	9,543	12,080
Over five years	—	1,000
	14,614	18,151

14. SUBSEQUENT EVENTS

Grant of share options

On 9 July 2009, the Company granted 140,000,000 share options (the "Options") to individuals (the "Grantees"), subject to acceptance of the Grantees, at an exercise price of HK\$0.219 per share under the Company's share option scheme adopted on 24 November 2001. The Options shall entitle the Grantees to subscribe for a total of 140,000,000 new shares of HK\$0.1 each in the capital of the Company.

Placing

On 3 August 2009, an aggregate of 190,000,000 ordinary shares were successfully placed at HK\$0.18 per share pursuant to the Top-up Placing and Subscription Agreement entered into on 20 July 2009. The net proceeds from the placement amounted to approximately HK\$33.35 million and are intended to be used for general working capital purposes.

On 5 August 2009, an aggregate of 90,000,000 ordinary shares were successfully placed at HK\$0.18 per share pursuant to the New Placing Agreement entered into on 20 July 2009. The net proceeds from the placement amounted to approximately HK\$15.8 million and are intended to be used for general working capital purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Online professional training business

On 12 June 2008, Best Boom Enterprises Limited (“Best Boom”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Multico Holdings Limited to purchase 61.27% of issued share capital of IIN Medical (BVI) Group Limited (“IIN Medical (BVI)”) at a consideration of up to RMB24,508,000 (or its equivalent, HK\$27,694,040) and 0.000033% of the issued share capital of IIN Medical Group Limited at a consideration of RMB13.33 (or its equivalent, HK\$15.06), with the total consideration up to RMB24,508,013.33 (or its equivalent, HK\$27,694,055.06). On the same day and as part of the acquisition, Best Boom also entered into another acquisition agreement with the minority investors of IIN Medical (BVI) to acquire 38.73% of the issued share capital of IIN Medical (BVI) at a consideration of up to RMB15,492,000 (or its equivalent, HK\$17,505,960). Upon the completion of the acquisition, Best Boom will be beneficially interested in the entire share capital of IIN Medical (BVI) and IIN Medical Group Limited.

The acquisition was completed on 23 April 2009. Since then, the following two months’ operational results of IIN Medical (BVI) and its subsidiaries (the “IIN Medical Group”) with sales revenue of approximately HK\$522,000 was incorporated into the results of the Group.

The Group will continue to explore business opportunities for our existing business and identify if any other valuable opportunities arise in the future.

Operational software application products

Due to the fierce competition in the market of operational application software and increasing operational costs, the Group has shifted its focus to developing online professional training and multimedia education business after the completion of its acquisition of New Beida Business StudyNet Group Limited on 27 February 2008. Since then, the Group has not obtained any new contract in this segment.

FINANCIAL REVIEW

During the six months ended 30 June 2009, the Group recorded turnover of approximately HK\$1,269,000, representing a decrease of 95% compared with approximately HK\$27,660,000 in last corresponding period.

The Group's net loss attributable to equity holders of the Company was approximately HK\$33,933,000 in contrast to net profit of approximately HK\$10,997,000 in last corresponding period. The increase in net loss reflects the continuing impact of the slowdown in demand for continued education in the financial industry and the interest expense incurred on the convertible notes.

Liquidity and financial resources

During the period under review, the Group kept most of its cash in Hong Kong dollars and Renminbi and placed most of them in banks for interest. As at 30 June 2009, the Group had current assets of approximately HK\$25 million including cash and bank balances of approximately HK\$5 million. As at 30 June 2009, the Group did not have any bank borrowings. The Group had total assets of approximately HK\$476 million and total liabilities of approximately HK\$345 million, representing a gearing ratio (expressed as total liabilities to total assets) of approximately 0.72 as at 30 June 2009 as compared with approximately 0.86 as at 31 December 2008.

Share capital

As at 1 April 2009, the authorized share capital of the Company was HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$141,382,000 divided into 1,413,819,475 shares of HK\$0.10 each.

During the period under review, shares were issued upon conversion of the Convertible Notes as follows:

Date of conversion	Principal amount of the Convertible Notes HK\$	Conversion price HK\$	Number of shares issued
10 June 2009	49,000,000	0.20	245,000,000
18 June 2009	44,000,000	0.20	220,000,000
29 June 2009	13,600,000	0.20	68,000,000
	106,600,000		533,000,000

As at 30 June 2009, the authorized share capital of the Company was HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$194,682,000 divided into 1,946,819,475 shares of HK\$0.10 each.

Convertible Notes

Pursuant to the acquisition of 100% interest in New Beida, the Company issued convertible notes ("Convertible Notes 2008") as partial settlement of the acquisition consideration. The principal terms of the Convertible Notes 2008 are as follows:

Date of issue:	27 February 2008
Aggregate principal amount:	HK\$720,000,000
Interest rate per annum:	The notes do not bear any interest
Conversion price applicable:	HK\$0.20 per share, subject to adjustments
Maturity date:	36 months from the date of issue

As at 30 June 2009, the aggregate outstanding principal amount of the Convertible Notes 2008 was HK\$331,400,000. The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes 2008 would result in the issue and allotment of 1,657,000,000 new Shares in the Company.

Pursuant to the acquisition of 100% interest in IIN Medical (BVI), the Company issued convertible notes ("Convertible Notes 2009") as partial settlement of the acquisition consideration. The principal terms of the Convertible Notes 2009 are as follows:

Date of issue:	23 April 2009
Aggregate principal amount:	HK\$32,770,000
Interest rate per annum:	The notes do not bear any interest
Conversion price applicable:	HK\$0.32 per share, subject to adjustments
Maturity date:	48 months from the date of issue

As at 30 June 2009, the aggregate outstanding principal amount of the Convertible Notes 2009 was HK\$32,770,000. The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes 2009 would result in the issue and allotment of 102,406,250 new Shares in the Company.

Foreign exchange exposure

Most of the sales and expenditures of the Group were denominated in Hong Kong dollars and Renminbi. As the exchange rate between Hong Kong dollars and Renminbi is relatively stable and the expenditure in PRC was covered by the sales in PRC, the management considers that the Group has no significant foreign exchange exposures. As at 30 June 2009, the Group did not use any financial instrument for hedging the foreign exchange risk.

Significant investments

During the six months ended 30 June 2009, save for the acquisition of IIN Medical Group, no significant investments were made by the Group.

Charges on the Group's assets

There were no material charges on the Group's assets as at 30 June 2009.

Employees Information

As at 30 June 2009, the Group had 6 employees in Hong Kong and 95 employees in the PRC. During the period under review, the total staff costs amount to approximately HK\$3,721,000 (2008: approximately HK\$2,644,000), representing an increase of 41% as compared to the prior period. The increase is mainly due to the effect on the acquisition of New Beida for the entire first half of 2009, compared to only four months in 2008, and the acquisition of IIN Medical Group in April 2009.

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. During the six months ended 30 June 2009, no share options were granted to employees of the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS

On 26 June 2009, the Board announced that the Company entered into a letter of intent with an independent third party in relation to acquiring equity interest in an entity that is engaged in the business of operation of charge cards and the relevant payment systems, and establishment and operation of online payment and e-payment platforms in the PRC.

As at the date of this report, the Board is still in the progress of reviewing the respective businesses and formal agreements have not been reached.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2009, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Directors	Capacity	Number of shares or underlying shares held		Total	Percentage of issued share capital
		Ordinary shares	Share options		
Chen Hong	Beneficial owner	193,928,000	9,500,000	203,428,000	10.45%
Wang Hui	Beneficial owner	—	9,000,000	9,000,000	0.46%
Wei Jianya	Beneficial owner	—	4,000,000	4,000,000	0.21%

Save as disclosed above, as at 30 June 2009, none of the other Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of Shareholder	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Yang Dong Jun (Note 1)	Beneficial owner	614,736,000	31.58%
Huang Qun (Note 2)	Beneficial owner	318,616,000	16.37%
Gong Di Qing (Note 3)	Beneficial owner	300,250,000	15.42%
Jia Zhe Jin (Note 4)	Beneficial owner	181,000,000	9.30%
Atlantis Investment Management Ltd	Investment manager	157,000,000	8.06%
Jiang Hua	Beneficial owner	121,000,000	6.22%
Wang Hui Ping	Beneficial owner	110,000,000	5.65%

Notes:

1. Interests in 614,736,000 shares or underlying shares comprise interest in 114,736,000 Shares and interest in 500,000,000 underlying Shares representing the conversion rights attached to the convertible notes in the principal amount of HK\$100,000,000.
2. Interests in 318,616,000 shares or underlying shares comprise interest in 118,616,000 shares and interest in 200,000,000 underlying shares representing the conversion rights attached to the convertible notes in the principal amount of HK\$40,000,000.
3. Interests in 300,250,000 shares or underlying shares comprise interest in 250,000 shares and interest in 300,000,000 underlying shares representing the conversion rights attached to the connectible notes in the principal amount of HK\$60,000,000.
4. Interest in 181,000,000 shares or underlying shares, representing the conversion rights attached to the convertible notes in the principal amount of HK\$36,200,000.

Save as disclosed above, as at 30 June 2009, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 in the GEM Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors, substantial shareholders of the Company and their respective associates had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2009, the committee comprised three independent non-executive Directors, namely Dr. Wong Yun Kuen, Ms. Chan Hoi Ling and Dr. Huang Chung Hsing.

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2009 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

RESIGNATION OF EXECUTIVE DIRECTORS

Ms. Liang Juan and Mr. Li Xiangjun resigned as executive Director on 18 May 2009 and 11 June 2009 respectively.

By order of the Board
China E-Learning Group Limited
Chen Hong
Chairman

Hong Kong, 13 August 2009

The board as of the date of this report comprises Mr. Chen Hong, Ms. Wang Hui, and Ms. Wei Jianya as executive directors, and Dr. Wong Yun Kuen, Ms. Chan Hoi Ling and Dr. Huang Chung Hsing as independent non-executive directors.