



CHINA E-LEARNING GROUP LIMITED
中國網絡教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 08055)

2012 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

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

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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 2012, together with the comparative unaudited figures of the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	3	23,264	26,103	12,705	10,883
Cost of sales		(5,342)	(6,324)	(3,261)	(3,035)
Gross profit		17,922	19,779	9,444	7,848
Other income	4	150	1,005	97	412
Selling expenses		(1,565)	(1,512)	(564)	(528)
Administrative expenses		(11,748)	(13,958)	(5,995)	(6,607)
Other expenses		(123)	–	–	–
Profit from operations		4,636	5,314	2,982	1,125
Finance costs	5	(1,657)	(1,572)	(877)	(124)
Profit before tax	6	2,979	3,742	2,105	1,001
Income tax	7	–	–	–	–
Profit for the period		2,979	3,742	2,105	1,001
Attributable to:					
Owners of the Company		(7,025)	(6,336)	(3,203)	(3,146)
Non-controlling interests		10,004	10,078	5,308	4,147
		2,979	3,742	2,105	1,001
Loss per share attributable to owners of the Company (HK cents)					
– Basic	9	(0.48)	(0.48)	(0.22)	(0.24)
– Diluted	9	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	2,979	3,742	2,105	1,001
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	3,065	(1,454)	1,030	(1,447)
Changes in fair value of available-for-sale financial assets	(1,024)	–	(637)	(875)
Reclassification adjustments for losses on the disposal of available-for-sales financial assets included in profit	123	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	5,143	2,288	2,498	(1,321)
	<hr/>	<hr/>	<hr/>	<hr/>
Attributable to:				
Owners of the Company	(4,861)	(7,790)	(2,800)	(5,498)
Non-controlling interests	10,004	10,078	5,308	4,147
	<hr/>	<hr/>	<hr/>	<hr/>
	5,143	2,288	2,498	(1,321)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2012 <i>HK\$'000</i>	(Audited) 31 December 2011 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		2,882	3,769
Available-for-sale financial assets		514	3,800
		3,396	7,569
Current assets			
Trade and other receivables	10	103,241	96,760
Cash and cash equivalents		12,311	19,459
		115,552	116,219
TOTAL ASSETS		118,948	123,788
Current liabilities			
Trade and other payables	11	34,098	45,330
Other loan	12	48,202	–
Financial derivatives		203	250
Convertible notes		41,059	66,817
		123,562	112,397
Non-current liabilities			
Convertible notes		12,427	26,105
		12,427	26,105
TOTAL LIABILITIES		135,989	138,502
NET CURRENT (LIABILITIES) ASSETS		(8,010)	3,822
NET LIABILITIES		(17,041)	(14,714)
CAPITAL AND RESERVE			
Share capital	13	734,027	732,171
Reserves		(754,836)	(750,653)
Non-controlling interests		3,768	3,768
TOTAL EQUITY		(17,041)	(14,714)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) For the six months ended 30 June 2012 <i>HK\$'000</i>	(Unaudited) 2011 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	26,689	(78,234)
Net cash inflow from investing activities	–	10,078
Net cash (outflow)/inflow from financing activities	(36,903)	63,147
Decrease in cash and cash equivalents	(10,214)	(5,009)
Cash and cash equivalents at the beginning of period	19,459	33,717
Effect of exchange rate changes	3,065	(1,454)
Cash and cash equivalents at the end of period	<u>12,311</u>	<u>27,254</u>
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	<u>12,311</u>	<u>27,254</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Available-for- sale financial assets		Accumulated losses HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
						valuation reserve HK\$'000	Total HK\$'000			
As of 1 January 2011	655,385	130,354	43,483	6,114	49,688	2,225	(942,899)	(55,650)	3,768	(51,882)
Loss for the period	-	-	-	-	-	-	(6,336)	(6,336)	10,078	3,742
Other comprehensive loss	-	-	-	(1,454)	-	-	-	(1,454)	-	(1,454)
Total comprehensive income/(loss) for the period	-	-	-	(1,454)	-	-	(6,336)	(7,790)	10,078	2,288
Issue of shares by conversion of convertible notes	5,758	2,834	-	-	(6,142)	-	-	(2,450)	-	(2,450)
Redemption of convertible notes	-	-	-	-	(705)	-	-	(705)	-	(705)
Issue of convertible notes	-	-	-	-	15,221	-	-	15,221	-	15,221
Fair value adjustment of financial assets	-	-	-	-	-	(875)	-	(875)	-	(875)
As of 30 June 2011	661,143	133,188	43,483	4,660	58,062	1,350	(949,235)	(47,349)	13,846	(33,503)
As of 1 January 2012	732,171	171,329	14,494	9,166	8,041	(2,517)	(951,166)	(18,482)	3,768	(14,714)
Loss for the period	-	-	-	-	-	-	(7,025)	(7,025)	10,004	2,979
Other comprehensive loss	-	-	-	3,065	-	(901)	-	2,164	-	2,164
Total comprehensive income/(loss) for the period	-	-	-	3,065	-	(901)	(7,025)	(4,861)	10,004	5,143
Non-controlling interest contribution	-	-	-	-	-	-	-	-	(10,004)	(10,004)
Issue of shares by conversion of convertible notes	1,856	1,893	-	-	(240)	-	-	3,510	-	3,510
Redemption of convertible notes	-	-	-	-	(976)	-	-	(976)	-	(976)
Fair value adjustment of financial assets	-	-	-	-	-	1,847	(1,847)	-	-	-
As of 30 June 2012	734,027	173,222	14,494	12,231	6,825	(1,571)	(960,038)	(20,809)	3,768	(17,041)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are derived from the provisions of occupational education, industry certification course, skills training and education consultation services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations (the "standards") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2011. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2011. The adoption of these new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early adopted the new and revised standards that have been issued but are not yet effective. The directors anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.

3. TURNOVER

Turnover represents revenue of the Group from the provision of distance learning programs and education consultation.

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on redemption of convertible notes	–	940	–	411
Interest income	45	–	45	–
Sundry income	105	65	52	1
	<u>150</u>	<u>1,005</u>	<u>97</u>	<u>412</u>

5. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on convertible notes measured at amortised cost	864	1,572	84	124
Interest expenses on short-term loan	780	–	780	–
Bank charges	13	–	13	–
	<u>1,657</u>	<u>1,572</u>	<u>877</u>	<u>124</u>

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of plant and equipment	541	909	257	375
Staff costs (including directors' emoluments)	<u>4,595</u>	<u>5,782</u>	<u>2,380</u>	<u>2,414</u>

7. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group did not generate any taxable profits in Hong Kong for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. No provision for PRC enterprise income tax has been made as the subsidiary that generated income for the period is a tax-exempted entity in the PRC.

8. DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2012 (2011: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited loss for the period for the purpose of basic and diluted loss per share	<u>(7,025)</u>	<u>(6,336)</u>	<u>(3,203)</u>	<u>(3,146)</u>
	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
Number of shares	2012	2011	2012	2011
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,467,809,886</u>	<u>1,318,881,865</u>	<u>1,468,054,691</u>	<u>1,321,257,329</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

No diluted loss per share has been presented for the six months and three months ended 30 June 2012 because the Company's outstanding options and convertible loan notes outstanding during the six months and three months ended 30 June 2012 had an anti-dilutive impact.

10. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2012 <i>HK\$'000</i>	(Audited) 31 December 2011 <i>HK\$'000</i>
Trade receivables	–	1,391
Less: impairment loss	–	(1,391)
	<u>–</u>	<u>–</u>
Deposits and other receivables	76,381	97,404
Less: impairment loss	(13)	(27,613)
Prepayments and deposits	26,873	26,969
	<u>103,241</u>	<u>96,760</u>

The aging analysis of trade receivables net of provisions for impairment at the balance sheet date is as follows:

	(Unaudited) 30 June 2012 <i>HK\$'000</i>	(Audited) 31 December 2011 <i>HK\$'000</i>
Within 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	–	–
	<u>–</u>	<u>–</u>

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

11. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2012 <i>HK\$'000</i>	(Audited) 31 December 2011 <i>HK\$'000</i>
Trade payable	14	13
Other payables	27,625	25,422
Receipts in advance	5,895	19,689
Accrued charges	564	206
	<u>34,098</u>	<u>45,330</u>

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

	(Unaudited) 30 June 2012 <i>HK\$'000</i>	(Audited) 31 December 2011 <i>HK\$'000</i>
Within 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	14	13
	<u>14</u>	<u>13</u>

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

12. OTHER LOAN

On 9 May 2012, the Company as borrower entered into the promissory note with Mr. Yang Dongjun (being a substantial shareholder of the Company) (“Mr. Yang”) as lender, pursuant to which Mr. Yang lent an unsecured loan in the principal sum of HK\$47,422,000 to the Company. The loan bears an interest at the rate of 12% per annum and shall be repaid with all interest accrued on 11 May 2013. The loan has been applied by the Company for its redemption of the convertible notes, which were issued by the Company pursuant to a subscription agreement dated 28 April 2011, at maturity on 11 May 2012. In the opinion of the directors of the Company, the fair value of other loan approximates to its carrying amount.

13. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary share of HK\$0.5 each		
Authorised		
At 1 January 2012	10,000,000,000	5,000,000
At 30 June 2012	<u>10,000,000,000</u>	<u>5,000,000</u>
Issued and fully paid		
At 1 January 2012	1,464,341,820	732,171
Issue of shares by conversion of convertible notes	<u>3,712,871</u>	<u>1,856</u>
At 30 June 2012	<u>1,468,054,691</u>	<u>734,027</u>

Note:

- (a) During the six months ended 30 June 2012, shares were issued upon conversion of convertible notes as follows:

Date of conversion	Principal amount of convertible notes <i>HK\$</i>	Conversion price <i>HK\$</i>	Number of shares issued
13 January 2011	<u>3,750,000</u>	<u>1.01</u>	<u>3,712,871</u>
	<u>3,750,000</u>	<u>1.01</u>	<u>3,712,871</u>

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2012 (31 December 2011: Nil).

15. COMMITMENTS

At 30 June 2012, the Group had the following commitments in respect of operating leases of rented premises and office equipment:

	(Unaudited) 30 June 2012 <i>HK\$'000</i>	(Audited) 31 December 2011 <i>HK\$'000</i>
Within one year	774	1,829
In second to fifth years inclusive	197	984
Over five years	—	—
	<u>971</u>	<u>2,813</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's turnover in the first half of the year was 10.9% lower than the same period last year. The drop was due to the scale-down of unprofitable operations. The medical education business remains stable and the management expects the business continue to improve.

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group recorded revenue of approximately HK\$23,264,000 (2011: HK\$26,103,000) representing tuition fee revenue and sales of educational products. On comparison, income from the core business was approximately 91.5% of the gross revenue in 2011 while it made up 100% in 2012.

Gross profit was approximately HK\$17,922,000 (2011: HK\$19,779,000), representing a gross profit margin of 77.0% for the period under review.

During the period, cost of sales was approximately HK\$5,342,000 (2011: HK\$6,324,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$150,000 (2011: HK\$1,005,000) representing a sundry income of approximately HK\$105,000 (2011: HK\$65,000), an interest income of approximately HK\$45,000 (2011: nil) and there is no gain on redemption of convertible notes (2011: HK\$940,000) for the period under review.

Selling expenses was approximately HK\$1,565,000 (2011: HK\$1,512,000) representing the overheads on promotional and advertising activities.

Administrative expenses for the period under review were approximately HK\$11,748,000 (2011: HK\$13,958,000), of which staff related costs were approximately HK\$4,595,000 (2011: HK\$5,782,000) mainly attributed to the scaling down in headcount. Other major expenses include rental, which was approximately HK\$1,394,000 (2011: HK\$1,302,000); consultancy fees, which were approximately HK\$1,017,000 (2011: HK\$1,575,000); and depreciation charges, which were approximately HK\$541,000 (2011: HK\$909,000) during the period under review.

Other expenses for the period were approximately HK\$123,000 (2011: nil) representing the realised loss on investment on financial assets being disposed.

Finance costs during the period were approximately HK\$1,657,000 (2011: HK\$1,572,000). The accretion of interest on the liability portion of convertible notes was approximately HK\$864,000 (2011: HK\$1,572,000). The interest expenses accrued on a short term loan were approximately HK\$780,000 (2011: nil).

As a result, the consolidated profit for the period was approximately HK\$2,979,000 (2011: HK\$3,742,000).

OUTLOOK

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. This e-learning business remained our core activity. In order to improve the business model of the Group, we have been exploring into different business projects where we could extend our business strength in operating e-platform, by utilising our computer networking capability.

A letter of intent was entered into launching the “Medical Access Card Integrated Operation and Service Platform” in April 2011. A circular on the acquisition of 100% shareholding interest in Everjoy International Media Corporation and Everjoy Technology Development Corporation was issued on 29 June 2012. Upon completion, the Group will be capable of connecting our e-platform with an online sale of ticket system for cultural performance and sport games events.

The Board and the management will, as always, dedicate their best efforts and strive for the best interests of the shareholders of the Group and the Company

Liquidity and financial resources

As at 30 June 2012, the Group had current assets of approximately HK\$116 million including cash and bank balances of approximately HK\$12 million, and the Group did not have any bank borrowings. Total assets were approximately HK\$119 million and total liabilities were approximately HK\$136 million, representing a gearing ratio (expressed as total liabilities to total assets) of approximately 1.14, as compared with approximately 1.12 at the beginning of the year 2012.

Share capital

As at 1 January 2012, the authorised share capital of the Company was HK\$5,000,000,000 divided into 10,000,000,000 shares of HK\$0.50 each and the issued share capital of the Company was approximately HK\$732,170,910 divided into 1,464,341,820 shares of HK\$0.50 each.

During the period under review, shares were issued upon conversion of convertible notes as follows:

Date of conversion	Principal amount of convertible notes HK\$	Conversion price HK\$	Number of shares issued
13 January 2011	3,750,000	1.01	3,712,871
	<u>3,750,000</u>	<u>1.01</u>	<u>3,712,871</u>

Convertible Notes

Convertible Notes 2009

Pursuant to the acquisition of 100% interest in IIN Medical (BVI) Group, the Company issued convertible notes (“Convertible Notes 2009”) as partial settlement of the acquisition consideration on 23 April 2009. The aggregate principal of the Convertible Notes 2009 amounted to HK\$32,770,000. The Convertible Notes 2009 are interest free, with a principal amount of approximately HK\$20,150,000 maturing in 48 months from the date of issue and the remaining principal amount of approximately HK\$12,620,000 maturing in 24 months from the date of issue and convertible into ordinary shares at conversion price of HK\$1.01 (2010: HK\$1.57) per share, subject to adjustments.

On 15 July 2010, an aggregate principal of the Convertible Notes 2009 amounted to HK\$6,780,000 were issued as the final payment for the acquisition of the entire issued share capital of IIN Medical (BVI) Group. The Convertible Notes 2009 are interest free, with a principal amount of HK\$4,154,106 maturing in 48 months from the date of issue and the remaining principal amount of HK\$2,625,894 maturing in 24 months from the date of issue and convertible into ordinary shares at conversion price of HK\$1.01 per share, subject to adjustments.

As at 1 January 2012, the aggregate outstanding principal amount of the Convertible Notes was HK\$10,162,155 (2011: HK\$25,620,217). The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes 2009 would result in the issue and allotment of 10,061,540 new shares in the Company.

In addition to the conversion of the Convertible Notes 2009 as shown above, Convertible Notes 2009 in the principal amount of HK\$1,250,000 were redeemed during the period under review. As at 30 June 2012, the aggregate outstanding principal amount of the Convertible Notes 2009 was approximately HK\$5,162,155. The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes 2009 would result in the issue and allotment of 5,111,044 new shares of the Company.

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 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.

As at both 1 January 2012 and 30 June 2012, the aggregate outstanding principal amount of the Convertible Notes 2011 A were HK\$29,999,934. The exercise in full of the vested conversion rights would result in the issue and allotment of 59,999,868 new shares of the Company.

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 Company and the noteholder of Convertible Notes 2011 B have agreed to a 6-month postponement of the original Maturity Date to 11 May 2012 (the "New Maturity Date") and so the related conversion period during which the noteholder can exercise the conversion rights attaching to the Notes shall accordingly expire on (but excluding) the fifth Business Day immediately before the New Maturity Date, that is, 4 May 2012. According to the agreement, the Company shall bear an additional compensation of 30% of the principal amount if the Company fails to redeem the Note within one month from its maturity date. Therefore, the Company has accrued such compensation as at 31 December 2011.

As at 1 January 2012, the aggregate outstanding principal amount of the Convertible Note 2011 B were HK\$36,200,000. The exercise in full of the vested conversion rights would have resulted in the issue and allotment of 72,400,000 new shares of the Company.

As at the New Maturity Date, the Convertible Note 2011 B was fully redeemed with the accrued compensation and the interest attached. No conversion rights were exercised and therefore the Company has not issued any new shares.

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.

As at both 1 January 2012 and 30 June 2012, the aggregate outstanding principal amount of the Convertible Notes 2011 C and Convertible Notes 2011 D were HK\$22,500,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 45,000,000 new shares of the Company.

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. As the exchange rate between Hong Kong dollars and Renminbi is relatively stable and the expenditure in the People's Republic of China ("PRC") was covered by the sales in the PRC, the management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 30 June 2012, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

Significant investments

During the six months ended 30 June 2012, 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 2012.

Employees Information

As at 30 June 2012, the Group had a total of 43 employees (2011: 54 employees) (including executive directors). During the period under review, the total staff costs amount to approximately HK\$4,595,000 (2011: approximately HK\$5,782,000), representing a decrease of approximately 21% over the prior period.

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contribution to the mandatory provident fund and share options. During the six months ended 30 June 2012, no share options were granted to employees of the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS

On 5 December 2011, the Group announced the signing of Cooperation Agreement between BJCHS and Lulutong in relation to the development, technical maintenance and operation of the 北京社區衛生服務網 (Beijing Community Health Services website), a website which will be based on the Medical Access Card Integrated Operation and Service Platform developed by Beijing Hua Tuo Education Technology Company Limited, a wholly owned subsidiary of the Company.

On 29 June 2012, the Group issued a circular on the major transactions for the acquisition of 100% shareholding interest in Everjoy International Media Corporation and Everjoy Technology Development Corporation. Our shareholders approved the major transaction subsequently during the EGM. The GEM Listing Committee of the Stock Exchange subsequently granted the listing of and permission to deal in the Conversion Shares which may be allotted and issued upon exercise of the conversion rights attaching to the convertible notes thereon.

As at the date of this announcement, the Board is still reviewing the progress of these business plans.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2012, 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 (Director)	Beneficial owner	79,510,480	6,377,306	85,887,786	5.85%
Wang Hui (Chief Executive)	Beneficial owner	–	6,377,306	6,377,306	0.43%
Wei Jianya (Director)	Beneficial owner	–	2,349,534	2,349,534	0.16%

Save as disclosed above, as at 30 June 2012, 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 DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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	Beneficial owner	207,554,896	14.14%
Atlantis Capital Holdings Limited	Investment manager	88,002,000	5.99%
Liu Yang (<i>note</i>)	Interest of a controlled corporation	88,002,000	5.99%

Notes: According to the disclosure of interests notice filed, Ms. Liu Yang is deemed to be in control of Atlantis Capital Holdings Limited, Ms. Liu Yang is deemed to be interested in the 88,002,000 shares of the Company.

Save as disclosed above, as at 30 June 2012, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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 2012, the committee comprised three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Cheung Wai Tak and Mr. Wu Tao.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 23 March 2005 with major functions of (i) making recommendations to the Board on the Company's policies and structure for the remuneration of Directors and senior management of the Group; and (ii) determining the remuneration packages of all Directors and senior management of the Group; and (iii) reviewing and approving the performance-based remuneration. The remuneration committee of the Company is chaired by Mr. Chen Hong. Other members include Mr. Cheung Wai Tak and Mr. Wu Tao. The majority of the members of the remuneration committee are independent non-executive directors.

NOMINATION COMMITTEE

The nomination committee of the Company was established on 23 March 2012. The function of the nomination committee is to identify individual suitably qualified to become director and make recommendation to the Board on the appointment, re-appointment and re-designation of directors. The nomination committee of the Company is chaired by Mr. Chen Hong. Other members include Mr. Cheung Wai Tak and Dr. Huang Chung Hsing. The majority of the members of the nomination committee are independent non-executive directors.

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

Hong Kong, 14 August 2012

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Hong (Chairman), and Ms. Wei Jianya; and three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Cheung Wai Tak and Mr. Wu Tao.