



**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)

**2013 FIRST QUARTERLY RESULTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

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

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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 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 announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2013, together with the comparative unaudited figures of the corresponding period in 2012, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	Three months ended	
		31 March		
		2013	2012	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>Turnover</b>	3	<b>11,923</b>	10,559	
Cost of sales		<b>(3,484)</b>	(2,081)	
Gross profit		<b>8,439</b>	8,478	
Other income	4	–	53	
Selling expenses		<b>(775)</b>	(1,001)	
Administrative expenses		<b>(5,743)</b>	(5,753)	
Other expenses		<b>(35)</b>	(123)	
<b>Profit from operations</b>		<b>1,886</b>	1,654	
Finance costs, net	5	<b>(2,339)</b>	(780)	
<b>(Loss)/Profit before tax</b>		<b>(453)</b>	874	
Income tax	6	–	–	
<b>(Loss)/Profit for the period</b>		<b>(453)</b>	874	
<b>Attributable to:</b>				
Owners of the Company		<b>(5,914)</b>	(3,822)	
Non-controlling interests		<b>5,461</b>	4,696	
		<b>(453)</b>	874	
<b>Loss per share attributable to owners of the Company (HK cents)</b>	7			
– Basic		<b>(0.40)</b>	(0.26)	
– Diluted		<b>N/A</b>	N/A	

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Three months ended 31 March	2013 HK\$'000	2012 HK\$'000
<b>(Loss)/Profit for the period</b>	<b>(453)</b>	874	
<b>Other comprehensive income for the period</b>			
Exchange differences arising on translation of foreign operations	(261)	2,035	
Changes in fair value of available-for-sale financial assets	33	(387)	
Reclassification adjustments for losses on the disposal of available-for-sale financial assets included in profit	35	123	
<b>Total comprehensive (loss)/profit for the period</b>	<b>(646)</b>	<b>2,645</b>	
<b>Attributable to:</b>			
Owners of the Company	(4,815)	(2,051)	
Non-controlling interests	5,461	4,696	
	<b>(646)</b>	<b>2,645</b>	

# **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**

The unaudited condensed consolidated financial statements for the three months ended 31 March 2013 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 2012. 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 2012. The adoption of these new and revised standards, amendments and interpretations does not have 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)	Three months ended	31 March
	2013	2012	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Sundry income	—	53	
	<hr/>	<hr/>	
	—	53	
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#### 5. FINANCE COSTS

Finance costs represent interest expense on convertible notes measured at amortised cost.

#### 6. 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.

#### 7. 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)	Three months ended	31 March
	2013	2012	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Unaudited loss for the period for the purposes of basic and diluted loss per share	(5,914)	(3,822)	
	<hr/>	<hr/>	
Weighted average number of ordinary shares for the purpose of basic loss per share	1,471,878,902	1,467,565,082	
	<hr/>	<hr/>	
Weighted average number of ordinary shares for the purpose of diluted loss per share	N/A	N/A	
	<hr/>	<hr/>	

No diluted loss per share has been presented for both periods ended 31 March 2012 and 2013 because the Company's outstanding shares options and convertible notes during the three months ended 31 March 2013 had an anti-dilutive impact.

## 8. DIVIDEND

The Directors do not recommend payment of any dividend for the three months ended 31 March 2013. (2012: nil).

## 9. MOVEMENT OF RESERVES (UNAUDITED)

	Share-based payment HK\$'000	Share premium HK\$'000	Exchange fluctuation HK\$'000	Convertible notes Equity reserve HK\$'000	Available- for-sale financial assets valuation HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	<u>171,329</u>	<u>14,494</u>	<u>9,166</u>	<u>8,041</u>	<u>(2,517)</u>	<u>(951,166)</u>	<u>(750,653)</u>
Loss for the period	—	—	—	—	—	(3,822)	(3,822)
Other comprehensive loss	—	—	2,035	—	(387)	884	2,532
Total comprehensive loss for the period	—	—	2,035	—	(387)	(2,938)	(1,290)
Issue of shares by conversion of convertible notes	1,893	—	—	(240)	—	—	1,653
Redemption of convertible notes	—	—	—	(360)	—	—	(360)
Reclassification adjustment for changes in AFS financial assets	—	—	—	—	1,847	—	1,847
Subtotal	<u>1,893</u>	<u>—</u>	<u>—</u>	<u>(600)</u>	<u>—</u>	<u>—</u>	<u>3,140</u>
At 31 March 2012	<u>173,222</u>	<u>14,494</u>	<u>11,201</u>	<u>7,441</u>	<u>(1,057)</u>	<u>(954,104)</u>	<u>(748,803)</u>
<b>At 1 January 2013</b>	<b><u>176,650</u></b>	<b><u>14,494</u></b>	<b><u>11,150</u></b>	<b><u>17,116</u></b>	<b><u>(393)</u></b>	<b><u>(981,563)</u></b>	<b><u>(762,546)</u></b>
Loss for the period	—	—	—	—	—	(5,914)	(5,914)
Other comprehensive income	—	—	(261)	—	33	2,524	2,296
Total comprehensive loss for the period	—	—	(261)	—	33	(3,390)	(3,618)
Redemption of convertible notes	—	—	—	(207)	—	—	(207)
Subtotal	—	—	—	(207)	—	—	(207)
<b>At 31 March 2013</b>	<b><u>176,650</u></b>	<b><u>14,494</u></b>	<b><u>10,889</u></b>	<b><u>16,909</u></b>	<b><u>(360)</u></b>	<b><u>(984,953)</u></b>	<b><u>(766,371)</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

The Group's turnover for the three months' period was 12.9% more than the same period last year. The medical education core business has contributed 12.8% to the increase.

### **FINANCIAL REVIEW**

For the three months ended 31 March 2013, the Group recorded revenue of approximately HK\$11,923,000 (2012: HK\$10,559,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$8,439,000 (2012: HK\$8,478,000), representing a gross profit margin of 70.8% (2012: 80.3%) for the period under review.

During the period, cost of sales was approximately HK\$3,484,000 (2012: HK\$2,081,000) representing the direct wages and overheads incurred in the distance learning courses.

There is no other income during the period, while there was approximately HK\$53,000 for the same period under review last year, representing a sundry income of approximately HK\$53,000.

Selling expenses was approximately HK\$775,000 (2012: HK\$1,001,000) representing the overheads on promotional and advertising activities.

Administrative expenses for the period under review were approximately HK\$5,743,000 (2012: HK\$5,753,000), of which staff related costs were approximately HK\$2,339,000 (2012: HK\$2,215,000). Other major expenses include rental, which was approximately HK\$726,000 (2012: HK\$992,000); consultancy fees, which were approximately HK\$758,000 (2012: HK\$549,000); and depreciation charges, which were approximately HK\$317,000 (2012: HK\$284,000) during the period under review.

Other expenses for the period were approximately HK\$35,000 (2012: HK\$123,000) representing the realised loss on investment on financial assets being disposed.

As new convertible notes have been issued, the accretion of interest on the liability portion was increased from HK\$780,000 for the corresponding period in 2012 to approximately HK\$954,000 in the current period. The aggregate principal amount of the convertible notes as at 31 March 2013 was approximately HK\$111 million (2012: HK\$94 million).

A promissory note with a principal amount of HK\$47,422,000 for 12 months, with an annual interest of 12% was issued in May 2012. The interest so accrued on this short term loan was approximately HK\$1,403,000 (2012: nil). The interest rate on the promissory note is higher than the interest rates of the convertible notes, which range from 1% to 3%.

As a result, finance costs during the period were approximately HK\$2,339,000 (2012: HK\$780,000), and the consolidated loss for the period was approximately HK\$453,000 (2012: a profit of HK\$874,000).

## **OUTLOOK**

In December 2012, the acquisition of the entire share capital of Everjoy Technology Development Corporation and Everjoy International Media Corporation was completed. Although the acquisition did not make significant contribution to the performance in 2012 and for the period ended 31 March 2013, this acquisition is an attempt of the Group to expand its income stream and diversify its business.

Meanwhile, the Group will continue to look for opportunities for our existing business, particularly in developing both vertically and horizontally within the Group's medical education platform, expanding further into our service network, increase the shareholders' value and reduce business risk.

During the year 2012, the Group has expanded its horizon into new business sectors, bringing new business elements into the existing technological base. Having gone through a period of exploration, the Group will review these new business sectors and make corresponding tuning if necessary.

### **Share capital**

As at both 1 January 2013 and 31 March 2013, 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\$735,939,451 divided into 1,471,878,902 shares of HK\$0.50 each.

### **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 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 principle 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 both 1 January 2013 and 31 March 2013, the aggregate outstanding principal amount of the Convertible Notes 2009 was HK\$12,221 (2012: HK\$10,162,155). The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes 2009 would result in the issue and allotment of 12,100 new shares in 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.

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

As at both 1 January 2013 and 31 March 2013, the outstanding principal amount of the Convertible Notes 2011 A was 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.

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

As at both 1 January 2013 and 31 March 2013, the outstanding principal amount of the Convertible Notes 2011 D was 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. A noteholder obtained a court order for the principal amount of HK\$9,700,000 forcing the payment of debt on 3 January 2013. The Company has complied in full.

### *Convertible Notes 2012*

Pursuant to the acquisition of 100% interest in Everjoy Technology Development Corporation, the Company issued convertible notes (“ETCN-1, and ETCN-2”) as partial settlement of the acquisition consideration on 20 December 2012. The aggregate principal of the ETCN-1 and ETCN-2 amounted to HK\$9,611,906, 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 2013 and 31 March 2013, the aggregate outstanding principal amount of the ETCN-1 and ETCN-2 was HK\$9,611,906. The exercise in full of the vested conversion rights would result in the issue and allotment of 19,223,812 new shares of the Company.

Pursuant to the acquisition of 100% interest in Everjoy International Media Corporation, the Company issued convertible notes (“EICN-1, EICN-2 and EICN-3”) as partial settlement of the acquisition consideration on 20 December 2012. The aggregate principal of the EICN-1, EICN-2 and EICN-3 amounted to HK\$58,235,956, 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 31 January 2013 and 31 March 2013, the aggregate outstanding principal amount of the EICN-1, EICN-2 and EICN-3 was HK\$58,235,956. The exercise in full of the vested conversion rights would result in the issue and allotment of 116,471,912 new shares of the Company.

## **Capital reorganisation**

On 4 December 2012, the Company proposed to implement the capital reorganisation by way of (1) the capital reduction; and (2) the sub-division of unissued shares. Pursuant to the capital reduction, the issued share capital of the Company will be reduced by HK\$0.40 per existing share by cancelling an equivalent amount of paid-up capital per existing share in issue so that the par value of each new share in issue will be HK\$0.10 and the relevant amount of issued capital thereby cancelled will be made available for issue of new shares. Each existing share in the authorized but unissued share capital of the Company was proposed to be sub-divided into 5 shares of a nominal value of HK\$0.10 each.

The proposal was approved in an extraordinary general meeting on 18 February 2013 and subject to further legal proceedings in Cayman Islands.

## **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 31 March 2013, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

## **Significant investments**

For the three months ended 31 March 2013, 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 31 March 2013.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS**

On 3 December 2012, a Strategic Cooperation Agreement was signed between China International Culture & Image Communication Corporation and the Company in relation to the cooperation for projects that involve images owned by Xinhua News Agency for a period of one year.

On 18 January 2013, an Advertisements Agency Agreement was signed between Xinhua Gallery and the Company in relation to the cooperation for advertising production business and solicitation of advertisements broadcast business on the LED Screen for a period of three years.

On 7 February 2013, a Strategic Cooperation Agreement was signed between CybEye, Inc. and the Company in relation to the cooperation for the technical development of mobile image social network software and the provision of network intelligence platforms based on image networks. The cooperation term of the Strategic Cooperation Agreement is one year.

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

## **DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS**

As at 31 March 2013, 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 positions in shares or underlying shares of the Company**

<b>Name of Directors and chief executive</b>	<b>Capacity</b>	<b>Number of shares or underlying shares held</b>			<b>Percentage of issued share capital</b>
		<b>Ordinary shares</b>	<b>Share options</b>	<b>Total</b>	
Chen Hong ( <i>Director</i> )	Beneficial owner	79,510,480	6,377,306	85,887,786	5.84%
Wang Hui ( <i>Chief Executive</i> )	Beneficial owner	–	6,377,306	6,377,306	0.43%
Wei Jianya ( <i>Director</i> )	Beneficial owner	–	2,349,534	2,349,534	0.16%
Li Xiangjun ( <i>Director</i> )	Beneficial owner	313,590	4,000,000	4,313,590	0.29%

Save as disclosed above, as at 31 March 2013, 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 31 March 2013, 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 positions in shares or underlying shares of the Company**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of shares or underlying shares held</b>		<b>Percentage of issued share capital</b>
		<b>Ordinary shares</b>	<b>Share options</b>	
Yang Dong Jun	Beneficial owner	207,554,896	–	14.10%
Atlantis Capital Holdings Limited	Investment manager	88,002,000	–	5.98%
Liu Yang ( <i>note 1</i> )	Interest of a controlled corporation	88,002,000	–	5.98%
Lee Chi Kong ( <i>note 2</i> )	Beneficial owner	116,471,912	–	7.91%

- 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.
  - Interests in 116,471,912 shares or underlying shares comprise interest representing the conversion rights attached to the convertible notes in the principal amount of HK\$58,235,956.

Save as disclosed above, as at 31 March 2013, 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**

For 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 three months ended 31 March 2013.

## **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 31 March 2013, the committee comprised three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Cheung Wai Tak and Ms. Li Bailing.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2013 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 Ms. Li Bailing. 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, 13 May 2013

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