



**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 THIRD QUARTERLY RESULTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

**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 statement of the Company and its subsidiaries (collectively the “Group”) for the nine months and three months ended 30 September 2013, together with the comparative unaudited figures of the corresponding period in 2012, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>(Unaudited)</b> <b>Nine months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>Three months</b> <b>ended 30 September</b>	
		<b>2013</b> <b>HK\$'000</b>	<b>2012</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>	<b>2012</b> <b>HK\$'000</b>
<b>Turnover</b>	3	<b>35,661</b>	25,951	<b>5,463</b>	2,687
Cost of sales		<b>(4,190)</b>	(6,698)	<b>(172)</b>	(1,356)
<b>Gross profit</b>		<b>31,471</b>	19,253	<b>5,291</b>	1,331
Other income	4	<b>285</b>	166	<b>248</b>	16
Selling expenses		<b>(1,873)</b>	(2,158)	<b>(720)</b>	(593)
Administrative expenses		<b>(19,355)</b>	(20,962)	<b>(7,298)</b>	(9,214)
Other expenses		<b>(251)</b>	(669)	<b>(251)</b>	(546)
<b>Profit/(loss) from operations</b>		<b>10,277</b>	(4,370)	<b>(2,730)</b>	(9,006)
Finance costs	5	<b>(8,842)</b>	(3,724)	<b>(3,264)</b>	(2,067)
<b>Profit/(loss) before tax</b>		<b>1,435</b>	(8,094)	<b>(5,994)</b>	(11,073)
Income tax credit	6	<b>–</b>	–	<b>–</b>	–
<b>Profit/(loss) for the period</b>		<b>1,435</b>	(8,094)	<b>(5,994)</b>	(11,073)
<b>Attributable to:</b>					
Owners of the Company		<b>(8,717)</b>	(18,125)	<b>(5,479)</b>	(11,100)
Non-controlling interests		<b>10,152</b>	10,031	<b>(515)</b>	27
		<b>1,435</b>	(8,094)	<b>(5,994)</b>	(11,073)
<b>Earnings/(loss) per share</b> <b>attributable to owners</b> <b>of the Company (HK cents)</b>					
– Basic	7	<b>(0.59) cents</b>	(1.23) cents	<b>(0.37) cents</b>	(0.75) cents
– Diluted	7	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	Nine months		Three months	
	ended 30 September		ended 30 September	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(loss) for the period</b>	<b>1,435</b>	(8,094)	<b>(5,994)</b>	(11,073)
<b>Other comprehensive income:</b>				
Exchange difference arising on translation of foreign operations	<b>3,374</b>	4,024	<b>(1,122)</b>	959
Changes in fair value of available-for-sale financial assets	<b>33</b>	238	–	1,262
Reclassification adjustments for losses on the disposal of available-for-sales financial assets included in losses	<b>(35)</b>	669	–	546
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<b>Total comprehensive income/(loss) for the period</b>	<b>4,807</b>	(3,163)	<b>(7,116)</b>	(8,306)
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<b>Attributable to:</b>				
Owners of the Company	<b>(5,345)</b>	(13,194)	<b>(6,601)</b>	(8,333)
Non-controlling interests	<b>10,152</b>	10,031	<b>(515)</b>	27
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	<b>4,807</b>	(3,163)	<b>(7,116)</b>	(8,306)
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## 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 act 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, education consultation services and ticketing sales.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 audited 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, education consultation and ticketing sales.

#### *By business:*

	<b>(Unaudited)</b> <b>Nine months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>Three months</b> <b>ended 30 September</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision of distance learning programs and education consultation	<b>32,169</b>	25,951	<b>5,463</b>	2,687
Ticketing sales	<b>3,492</b>	—	<b>—</b>	—
	<b><u>35,661</u></b>	<b><u>25,951</u></b>	<b><u>5,463</u></b>	<b><u>2,687</u></b>

No geographical information is shown as the revenue from external customers from operations of the Group are substantially derived from activities or located in the People's Republic of China ("PRC").

#### 4. OTHER INCOME

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Nine months</b>		<b>Three months</b>	
	<b>ended 30 September</b>		<b>ended 30 September</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	<b>72</b>	85	<b>40</b>	40
Sundry income	<b>213</b>	81	<b>208</b>	(24)
	<b>285</b>	166	<b>248</b>	16

#### 5. FINANCE COSTS

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Nine months</b>		<b>Three months</b>	
	<b>ended 30 September</b>		<b>ended 30 September</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest expenses on convertible notes measured at amortised cost	<b>4,552</b>	1,491	<b>1,801</b>	627
Interest expenses on term loan	<b>4,290</b>	2,213	<b>1,463</b>	1,433
Other finance expenses	<b>–</b>	20	<b>–</b>	7
	<b>8,842</b>	3,724	<b>3,264</b>	2,067

#### 6. INCOME TAX CREDIT

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. EARNINGS/(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:

	<b>(Unaudited)</b> <b>Nine months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>Three months</b> <b>ended 30 September</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Unaudited loss for the period for the purpose of basic and diluted loss per share (HK\$'000)	<u><b>(8,717)</b></u>	<u>(18,125)</u>	<u><b>(5,479)</b></u>	<u>(11,100)</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><b>1,471,878,902</b></u>	<u>1,469,008,641</u>	<u><b>1,471,878,902</b></u>	<u>1,471,380,092</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><b>N/A</b></u>	<u>N/A</u>	<u><b>N/A</b></u>	<u>N/A</u>

No diluted loss per share has been presented for each of the nine months and three months ended 30 September 2013 and 30 September 2012 because the Company's outstanding share options and convertible notes during the nine months and three months ended 30 September 2013 have an anti-dilutive impact.

## 8. DIVIDEND

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2013. (2012: nil).

## 9. MOVEMENT OF RESERVES (UNAUDITED)

	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 valuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As of 1 January 2012	171,329	14,494	9,166	8,041	(2,517)	(951,166)	(750,653)
Loss for the period	-	-	-	-	-	(18,125)	(18,125)
Other comprehensive income	-	-	4,024	-	907	-	4,931
Total comprehensive Income/(loss) for the period	-	-	4,024	-	907	(18,125)	(13,194)
Issue of shares by conversion of convertible notes	3,844	-	-	(486)	-	-	3,358
Redemption of convertible notes	-	-	-	(976)	-	-	(976)
Fair value adjustment of financial assets	-	-	-	-	1,188	(1,188)	-
As of 30 September 2012	175,173	14,494	13,190	6,579	(422)	(970,479)	(761,465)
<b>As of 1 January 2013</b>	<b>176,650</b>	<b>14,494</b>	<b>11,150</b>	<b>17,116</b>	<b>(393)</b>	<b>(981,563)</b>	<b>(762,546)</b>
Loss for the period	-	-	-	-	-	(8,717)	(8,717)
Other comprehensive income	-	-	3,374	-	33	-	3,407
Total comprehensive income/(loss) for the period	-	-	3,374	-	33	(8,717)	(5,310)
Redemption of convertible notes	-	-	-	(209)	-	-	(209)
Capital Reorganisation	(176,650)	-	-	-	-	765,403	588,753
As of 30 September 2013	-	14,494	14,524	16,907	(360)	(224,877)	(179,312)

## 10. SUBSEQUENT EVENT

On 31 October 2013, the Company entered into an Agreement with an independent third party ("the Purchaser") pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing the entire issued share capital of the company's subsidiaries ("the Disposal"), namely Everjoy International Media Corporation and Everjoy Technology Development Corporation at the disposal consideration to be determined.

As the Disposal consideration shall be determined based on the fair market value of the subsidiaries to be assessed by an independent professional valuer jointly appointed by both parties, goodwill which is on acquisition of the subsidiaries of HK\$68,055,000 on 20 December 2012 was not impaired as at 30 September 2013 but is to be taken into consideration at the completion date of the Disposal.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The Group's turnover for the nine months' period was 37.4% more than the same period last year, of which the medical education core business has contributed 24% to the increase.

### FINANCIAL REVIEW

For the nine months ended 30 September 2013, the Group recorded revenue of approximately HK\$35,661,000 (2012: HK\$25,951,000) representing tuition fee revenue, sales of educational products and commission received from the ticketing sales. Gross profit was approximately HK\$31,471,000 (2012: HK\$19,253,000), representing a gross profit margin of 88.3% (2012: 74.2%) for the period under review.

During the period, cost of sales was approximately HK\$4,190,000 (2012: HK\$6,698,000) representing the direct wages and overheads incurred in the distance learning courses and ticketing sales.

Other income was approximately HK\$285,000 (2012: HK\$166,000) representing an interest income of approximately HK\$72,000 (2012: HK\$85,000), a sundry income of approximately HK\$213,000 (2012: HK\$81,000).

Selling expenses was approximately HK\$1,873,000 (2012: HK\$2,158,000) representing the overheads on promotional and advertising activities.

Administrative expenses for the period under review were approximately HK\$19,355,000 (2012: HK\$20,962,000), of which staff related costs were approximately HK\$7,284,000 (2012: HK\$6,426,000). Other major expenses include rental, which was approximately HK\$2,382,000 (2012: HK\$2,167,000); consultancy fees, which were approximately HK\$2,743,000 (2012: HK\$5,378,000); and depreciation charges, which were approximately HK\$1,112,000 (2012: HK\$859,000) during the period under review.

Other expenses for the period were approximately HK\$251,000 (2012: HK\$669,000) representing sundry expenses.

Finance costs during the period were approximately HK\$8,842,000 (2012: HK\$3,724,000). The accretion of interest on the liability portion of convertible notes was approximately HK\$4,552,000 (2012: HK\$1,491,000). The interest expenses accrued on a term loan were approximately HK\$4,290,000 (2012: HK\$2,214,000).

### OUTLOOK

The Group's existing e-learning business will remain our core business and main cash generator in the near future. We will implement certain cost-effective measures to streamline the operation so as to enhance the profitability and value of the e-learning business. This business is expected to grow in a rather stable manner.

The acquisition of the entire share capital of Everjoy Technology Development Corporation and Everjoy International Media Corporation was completed in December 2012. Their businesses started to recover gradually in early 2013 and record the revenue in the second quarter of 2013.

Meanwhile, the Group will continue to look for opportunities for our existing businesses, in order to increase the shareholders' value and reduce business risk.

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.

### **Share capital**

As at 1 January 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.

On 22 July 2013 (Cayman Islands time), the relevant court order confirming the Capital Reduction and the minutes approved by the Court pursuant to the Companies Law were filed with the Registrar of Companies in the Cayman Islands and all other conditions of the Capital Reorganisation were fulfilled. The Capital Reorganisation became effective on Monday, 22 July 2013 (after trading hours).

As at 30 September 2013, the authorized share capital of the Company was HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$147,187,890 divided into 1,471,878,902 shares of HK\$0.10 each.

### **Provision of Loan**

On September 2011, the Group made provision of a loan to Beijing Everjoy Cultural Communication Co. Ltd. (the "Borrower") by way of an agreement for an amount of RMB8,182,000, repayable twelve months after the drawdown, with a security on two separate Equity Pledges.

The Board has been reviewing the progress of the project since its completion. In view of the unforeseeable circumstances and hardship during year 2012, the Borrower has negotiated with the Group to defer all repayment terms and conditions, including the two Equity Pledges, by twelve months until 16 September 2013.

Pursuant to the first Equity Pledge of the Agreement, the Group has a right at any time during the Loan Period require Everjoy to convert the principal amount outstanding under the Loan into the equity interest of Everjoy representing a maximum of 45% of the equity interest of the Everjoy on a fully diluted and as converted basis, the Group has not exercised that right yet.

Pursuant to the second Equity Pledge of the Agreement, Everjoy's Equity Owners undertakes that the aggregate net profit of Everjoy for 2011 and 2012 shall be not less than HK\$1.5 million and HK\$2 million respectively. As the operation of Everjoy has encountered difficulties, the second Equity Pledge has been agreed to defer also by twelve months that the aggregate net profit of Everjoy of 2012 and 2013 will be considered instead.

On 16 September 2013, the Group and the Borrower entered into a third supplemental agreement (the "Third Supplemental Agreement") pursuant to which the Group and the Borrower agreed to extend the Loan Period commencing from the date of advancement of the Loan from 24 months to 36 months. Save for the above amendments, all other terms and conditions of the Loan Agreement (as amended by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) remain unchanged.

The Board has been continuously considering the status of the loan, and no decision has been made insofar as the Borrower is willing to pay the interests.

## 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, 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.

The Convertible Notes 2009 were fully redeemed on 18 July 2013.

### *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 30 September 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 30 September 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.

Pursuant to the terms and conditions of the instrument constituting the Convertible Notes, no adjustments will be made to the conversion price of the outstanding Convertible Notes, as a result of the Capital Reorganisation becoming effective on the Effective Date.

#### *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 30 September 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 30 September 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.

Pursuant to the terms and conditions of the instrument constituting the Convertible Notes, no adjustments will be made to the conversion price of the outstanding Convertible Notes, as a result of the Capital Reorganisation becoming effective on the Effective Date.

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

## **Significant investments**

During the nine months ended 30 September 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 30 September 2013.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS**

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.

On 9 June 2013, the Advertisements Agency Agreement of 18 January 2013 was amended pursuant to a supplemental agreement entered into between the Company and Xinhua Gallery and the 3-party supplemental agreement entered into between the Company, Xinhua Gallery and Beijing Lulutong Technology Company Limited (北京祿路通科技有限公司).

The Supplemental Agreement stipulates that the term of the Advertisements Broadcasting Contract shall be more than two years (instead of three years as originally agreed in the Advertisements Agency Agreement) but not exceeding the term of Xinhua Gallery's existing tenancy in respect of the LED Screen; and the Company shall receive the agency fee subject to upward adjustments based on actual performance.

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

## **SUBSEQUENT EVENT**

On 31 October 2013, the Company entered into the Agreement with the Purchaser pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares which represented the entire issued share capital of the Subsidiaries, namely Everjoy International Media Corporation and Everjoy Technology Development Corporation, at the Disposal Consideration to be determined. The Disposal Consideration shall be determined based on the fair market value of the Subsidiaries to be assessed by an independent professional valuer jointly appointed by both parties.

Under the Agreement, the Company also agreed to transfer its rights and ownership of the Online Ticketing System and its rights and obligations under the Software Development Contract to the Purchaser at the Transfer Consideration to be determined. The Transfer Consideration shall be determined based on the fair market value of the Online Ticketing System to be assessed by an independent professional valuer jointly appointed by both parties.

As the principal terms of the Disposal and the Transfer are yet to be finalized, the Company will make further announcement(s) in relation to the Disposal Consideration, the Transfer Consideration and other updates of the Disposal and the Transfer as and when appropriate.

For detailed information regarding the disposal of subsidiaries and transfer of ownership of online ticketing system, please refer to the announcement of the Company dated 31 October 2013.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30 September 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 position in shares or underlying shares of the Company**

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of shares or underlying shares held</b>			<b>Percentage of issued share capital</b>
		<b>Ordinary Share</b>	<b>Shares 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	6,712,954	7,026,544	0.48%

Save as disclosed above, as at 30 September 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 30 September 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 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	14.10%
Atlantis Capital Holdings Limited	Investment manager	105,002,000	7.13%
Liu Yang ( <i>note 1</i> )	Interest of a controlled corporation	105,002,000	7.13%
Lee Chi Kong ( <i>note 2</i> )	Beneficial owner	116,671,912	7.93%

#### Notes:

1. 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 105,002,000 shares of the Company.
2. Interests in 116,671,912 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 30 September 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

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 nine months ended 30 September 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 30 September 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 nine months ended 30 September 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 November 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.*