



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)

2014 THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

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 (the “Directors”) of China E-Learning Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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 2014, together with the comparative unaudited figures of the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Turnover	3	33,716	35,661	5,489	5,463
Cost of sales		(9,506)	(4,190)	(915)	(172)
Gross profit		24,210	31,471	4,574	5,291
Other income	4	3,799	285	3,759	248
Selling expenses		–	(1,873)	–	(720)
Administrative expenses		(17,782)	(19,355)	(6,296)	(7,298)
Other expenses		–	(251)	–	(251)
Profit/(loss) from operations		10,227	10,277	2,037	(2,730)
Finance costs	5	(8,673)	(8,842)	(4,756)	(3,264)
Profit/(loss) before tax		1,554	1,435	(2,719)	(5,994)
Income tax credit	6	–	–	–	–
Profit/(loss) for the period		1,554	1,435	(2,719)	(5,994)
Attributable to:					
Owners of the Company		(8,633)	(8,717)	(4,503)	(5,479)
Non-controlling interests		10,187	10,152	1,784	(515)
		1,554	1,435	(2,719)	(5,994)
Earnings/(loss) per share attributable to owners of the Company (HK cents)					
– Basic	7	(0.46) cents	(0.59) cents	(0.20) cents	(0.37) cents
– Diluted	7	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	Nine months		Three months	
	ended 30 September		ended 30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	1,554	1,435	(2,719)	(5,994)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	(232)	3,374	519	(1,122)
Changes in fair value of available-for-sale financial assets	–	33	–	–
Reclassification adjustments for losses on the disposal of available-for-sales financial assets included in losses	–	(35)	–	–
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Total comprehensive income/(loss) for the period	1,322	4,807	(2,200)	(7,116)
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Attributable to:				
Owners of the Company	(8,865)	(5,345)	(3,984)	(6,601)
Non-controlling interests	10,187	10,152	1,784	(515)
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	1,322	4,807	(2,200)	(7,116)
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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 acts as an investment holding company. 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2014 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 2013. 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 2013. 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)	
	Nine months		Three months	
	ended 30 September		ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	1,844	72	1,823	40
Sundry income	19	213	–	208
Compensation Fee	1,936	–	1,936	–
	3,799	285	3,759	248

5. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Nine months		Three months	
	ended 30 September		ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on convertible notes measured at amortised cost	4,527	4,552	1,716	1,801
Interest expenses on term loan	4,146	4,290	3,040	1,463
	8,673	8,842	4,756	3,264

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. 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:

	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
	2014	2013	2014	2013
Unaudited loss for the period for the purpose of basic and diluted loss per share (HK\$'000)	<u>(8,633)</u>	<u>(8,717)</u>	<u>(4,503)</u>	<u>(5,479)</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,863,558,990</u>	<u>1,471,878,902</u>	<u>2,228,263,078</u>	<u>1,471,878,092</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 each of the nine months and three months ended 30 September 2014 and 30 September 2013 because the Company's outstanding share options and convertible notes during the nine months and three months ended 30 September 2014 have an anti-dilutive impact.

8. DIVIDEND

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2014. (2013: nil).

9. MOVEMENT OF RESERVES (UNAUDITED)

	Share premium <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Convertible notes equity reserve <i>HK\$'000</i>	Available- for-sale financial assets valuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As of 1 January 2013	176,650	14,494	11,150	17,116	(393)	(981,563)	(762,546)
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)
As of 1 January 2014	-	19,199	11,575	16,284	-	(310,480)	(263,422)
Loss for the period	-	-	-	-	-	(8,633)	(8,633)
Other comprehensive income	-	-	(232)	-	-	-	(232)
Total comprehensive income/(loss) for the period	-	-	(232)	-	-	(8,633)	(8,865)
Issue of convertible note	-	-	-	4,318	-	-	4,318
Issue of shares by conversion of convertible notes	20,604	-	-	(1,844)	-	-	18,760
Exercise of share options	2,040	-	-	-	-	-	2,040
Redemption of convertible notes	-	-	-	(975)	-	-	(975)
As of 30 September 2014	22,644	19,199	11,343	17,783	-	(319,113)	(248,144)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's turnover for the nine months' period was 5.45% less than the same period last year. The medical education core business remains stable and the management expects the business continue to improve.

In an attempt to expand its income stream and diversify its business spectrum, the Company has acquired the entire share capital of Everjoy Technology Corporation and Everjoy International Media Corporation ("Everjoy") in December 2012. However the performance of Everjoy was unsatisfactory to the Group. It is expected that the profit of Everjoy will not be greatly improved unless substantial resources are allocated thereto.

In view of the above, it is decided to dispose of Everjoy. On 31 October 2013 (after trading hours), 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 entire share capital of the Everjoy at the consideration, which was determined based on the fair values of Everjoy assessed by Roma Appraisals Limited, an independent professional valuer jointly appointed by the parties to the agreement. On 27 February 2014, the consideration has been fixed to RMB20,600,000 (equivalent to approximately HK\$26,368,000). The completion of the disposal took place on 12 March 2014.

FINANCIAL REVIEW

For the nine months ended 30 September 2014, the Group recorded revenue of approximately HK\$33,716,000 (2013: HK\$35,661,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$24,210,000 (2013: HK\$31,471,000), representing a gross profit margin of 71.8% (2013:88.3%) for the period under review.

During the period, cost of sales was approximately HK\$9,506,000 (2013: HK\$4,190,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$3,799,000 (2013: HK\$285,000) representing an interest income of approximately HK\$1,844,000 (2013: HK\$72,000), a sundry income of approximately HK\$19,000 (2013: HK\$213,000) and a compensation fee of approximately HK\$1,936,000 (2013: HK\$0). Compensation fee refers to the payment to the Company in accordance with a deed of termination as compensation as the Profits Guarantee failed to materialize as agreed under the Amended Loan Agreement, please refer to the Company's announcement dated 4 September 2014 for details.

Administrative expenses for the period under review were approximately HK\$17,782,000 (2013: HK\$19,355,000), of which staff related costs were approximately HK\$7,662,000 (2013: HK\$7,284,000). Other major expenses include rental, which was approximately HK\$1,955,000 (2013: HK\$2,382,000); consultancy fees, which were approximately HK\$2,797,000 (2013: HK\$2,743,000); and depreciation charges, which were approximately HK\$1,346,000 (2013: HK\$1,112,000) during the period under review.

Finance costs during the period were approximately HK\$8,673,000 (2013: HK\$8,842,000). The interest on the liability portion of convertible notes was approximately HK\$4,527,000 (2013: HK\$4,552,000). The interest expenses accrued on a term loan were approximately HK\$4,146,000 (2013: HK\$4,290,000).

As a result, the consolidated profit for the period was approximately HK\$1,554,000 (2013: HK\$1,435,000).

OUTLOOK

The Group's existing e-learning business will remain the core business and main cash generator in the near future. This business is expected to grow in a rather stable manner.

As usual, the Group will implement certain cost-effective measures to streamline the operation so as to enhance the profitability and value of this e-learning business. The Company will continue to look for opportunities for our existing business, particularly in developing both vertically and horizontally within the Group's existing medical education platform, expanding further into our service network, increase the shareholders' value and reduce business risk.

In addition, the Company will continue to look for other attractive investments in the PRC and locally in an attempt to diversify into different business areas to reduce the reliance upon existing e-learning business and strengthen the positive cash flow and earnings for the Group in the long run.

Share capital

As at 1 January 2014, the authorised share capital of the Company was HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$161,422,290 divided into 1,614,222,902 shares of HK\$0.10 each.

On 21 February 2014, 20,000,000 shares of HK\$0.10 each of the Company were issued upon exercise of share options.

On 24 April 2014, 15,223,812 shares of HK\$0.10 each of the Company were issued upon conversion of convertible notes.

On 29 April 2014, 10,000,000 shares of HK\$0.10 each of the Company were issued upon exercise of share options.

On 12 June 2014, 231,076,922 shares of HK\$0.10 each of the Company were issued upon conversion of convertible notes.

On 13 June 2014, 95,076,399 shares of HK\$0.10 each of the Company were issued upon conversion of convertible notes.

On 20 June 2014, 110,000,000 shares of HK\$0.10 each of the Company were issued upon conversion of convertible notes.

On 24 July 2014, 56,000,000 shares of HK\$0.10 each of the Company were issued upon exercise of share options.

On 25 July 2014, 10,000,000 shares of HK\$0.10 each of the Company were issued upon exercise of share options and 75,000,000 shares of HK\$0.10 each of the Company were issued upon conversion of convertible notes.

On 18 August 2014, 35,000,000 shares of HK\$0.10 each of the Company were issued upon conversion of convertible notes.

On 27 August 2014, 26,000,000 shares of HK\$0.10 each of the Company were issued upon exercise of share options.

On 26 September 2014, 25,000,000 shares of HK\$0.10 each of the Company were issued upon exercise of share options.

On 29 September 2014, 5,000,000 shares of HK\$0.10 each of the Company were issued upon exercise of share options.

As at 30 September 2014, 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\$232,760,003 divided into 2,327,600,035 shares of HK\$0.10 each.

Provision of Loan

In 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, with a security on two separate Equity Pledges.

On 4 September 2014, the Lender, Beijing Hua Tuo Education Technology Company Limited (a wholly owned subsidiary of the Company) and the Borrowers entered into a deed of termination (the “Termination Deed”) of the Loan Agreement (as amended by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) (collectively the “Amended Loan Agreement”) as the Borrowers had fully repaid the Loan in the sum of RMB8,182,000 and all interest accrued thereon and also paid RMB1,500,000 to the Company as compensation as the Profits Guarantee failed to materialize as agreed under the Amended Loan Agreement.

Following the entering into of the Termination Deed, the Amended Loan Agreement is terminated and all its terms and conditions have ceased to be of any effect and all the parties to the Termination Deed are released from all obligations, liabilities, claims and demands.

Convertible Notes

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 issued 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 1 January 2014, 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 9 May 2014, the Company and the Subscribers entered into the Subscription Agreements pursuant to which the Subscribers have agreed to subscribe for, and the Company has agreed to issue, the Convertible Notes (CN2016-1 to CN2016-5) in the aggregate principal amount of HK\$42,399,932, such that the subscription moneys payable in connection with the Subscription of such Convertible Notes would be set-off against the moneys payable by the Company for redeeming the CN2011A in accordance with the Payment Arrangement Deed and against the Indebtedness owing by the Company to the Existing P-note Holders at Completion.

The Convertible Notes 2011 A were fully set-off by the issuance of Convertible Notes (CN2016-3, CN2016-4 and CN2016-5) on 6 June 2014.

On 12 June 2014, the conversion rights attaching to the CN2016-1, CN2016-2 and CN2016-3 have been exercised in full and hence 231,076,922 shares have been issued.

On 13 June 2014, the conversion rights attaching to the CN2016-4 and CN2016-5 have been exercised in full and hence 95,076,399 shares have been issued.

As at 30 September 2014, Convertible Notes 2016 (CN2016-1, CN2016-2, CN2016-3, CN2016-4 and CN2016-5) were fully converted.

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 1 January 2014, the outstanding principal amount of the Convertible Notes 2011 D was HK\$12,800,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 25,600,000 new shares of the Company.

On 6 March 2014, the Company has redeemed one of the Convertible Notes 2011 D with the principal amount of HK\$10,000,000 in accordance with notice from the holder. The Company is contacting the holder of the Convertible Notes 2011 D with the principal amount of HK\$2,800,000 in order to settle the convertible notes. As at 30 September 2014, the Company has not received any reply or notice from the holder and the Company has the funds available for redemption.

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 1 January 2014, the aggregate outstanding principal amount of the ETCN 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.

On 24 April 2014, the conversion rights attaching to the ETCN in the principal amount of HK\$7,611,906 have been exercised in full and hence 15,223,812 shares have been issued.

As at 30 June 2014, the aggregate outstanding principal amount of the ETCN was HK\$2,000,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 4,000,000 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 1 January 2014 and 30 June 2014 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.

On 15 August 2014 (after trading hours), the Company and the note holders of ETCN and EICN entered into the Deeds of Amendment, pursuant to which the Company and the note holders of ETCN and EICN agreed to amend certain terms and conditions of the Convertible Notes. Pursuant to the Deeds of Amendment, (i) the Conversion Price of ETCN and EICN will be reduced from HK\$0.50 per Share to HK\$0.35 per Share; and (ii) the interest rate of ETCN and EICN will be reduced from 1% per annum to zero. Save as amended pursuant to the Deeds of Amendment, all other terms of ETCN and EICN shall remain unchanged and valid.

Furthermore, the Company and each of the note holders of ETCN and EICN entered into a supplemental deed to amend certain terms of the Deeds of Amendment on 16 September 2014.

Assuming the conversion rights attaching to the Convertible Notes ETCN and EICN are exercised in full at the Conversion Price of HK\$0.35, pursuant to Convertible Notes, 172,102,729 Conversion Shares will be issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes in full.

On 25 September 2014, an ordinary resolution regarding the proposed Amendment of Terms and the Deeds of Amendment and the transactions contemplated thereunder was proposed to the Company’s extraordinary general meeting to be held on 15 October 2014 for independent shareholders’ approval by way of poll.

Convertible Notes 2014

On 29 November 2013, the Company entered into a subscription agreement with a subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for the convertible notes (“CN2014-1”) with an aggregate principal amount of HK\$6,000,000 maturing in 12 months from the date of issue at 1% annual coupon rate which may be converted into 60,000,000 shares at the conversion price of HK\$0.10 per share (subject to adjustment). On the same day, the Company also entered into another subscription agreement with another subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for the convertible notes (“CN2014-2”) with an aggregate principal amount of HK\$5,000,000 maturing in 12 months from the date of issue at 1% annual coupon rate, which may be converted into 50,000,000 shares at the conversion price of HK\$0.10 per share (subject to adjustment).

Furthermore, on 10 December 2013, the Company entered into a subscription agreement with a subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for the convertible notes (“CN2014-3”) with an aggregate principal amount of HK\$10,000,000 maturing in 12 months from the date of issue at 1% annual coupon rate, which may be converted into 100,000,000 shares at the conversion price of HK\$0.10 per share (subject to adjustment). On the same day, the Company also entered into another subscription agreement with another subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for the convertible notes (“CN2014-4”) with an aggregate principal amount of HK\$4,234,400 maturing in 12 months from the date of issue at 1% annual coupon rate, which may be converted into 42,344,000 shares at the conversion price of HK\$0.10 per share (subject to adjustment). On 19 December 2013, the conversion rights attaching to CN2014-3 and CN2014-4 have been exercised in full and hence 142,344,000 shares have been issued.

As at 1 January 2014, the aggregate outstanding principal amount of the CN2014-1 and CN2014-2 was HK\$11,000,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 110,000,000 new shares of the Company.

On 20 June 2014, the conversion rights attaching to CN2014 with the principal amount of HK\$11,000,000 have been exercised in full and hence 110,000,000 shares have been issued. Hence, Convertible Notes 2014 were fully converted as at 30 September 2014.

Convertible Notes 2016A

On 27 June 2014 (after trading hours), the Company entered into the Subscription Agreement with Mr. Yang Dong Jun (“Mr. Yang”), pursuant to which the Company has agreed to issue, and Mr. Yang has agreed to subscribe for, the Convertible Notes 2016A with an aggregate principal amount of HK\$40,775,000, which may be converted into 285,139,860 Conversion Shares at the Conversion Price of HK\$0.143 per Conversion Share (subject to adjustment).

The Convertible Notes, which are mature after 24 months of the issue date, shall carry interest at the rate of 1% per annum payable in arrears yearly on the 31st day of December each year or, if earlier, upon full conversion of the Convertible Notes. The Conversion Shares, upon issue, shall rank *pari passu* in all respects with the shares then in issue.

Completion of the issue of the Convertible Notes in the aggregate principal amount of HK\$40,775,000 took place on 8 July 2014.

On 25 July 2014, the conversion rights attaching to the Convertible Notes 2016A in the principal amount of HK\$10,725,000 have been exercised and hence 75,000,000 shares have been issued.

On 18 August 2014, the conversion rights attaching to the Convertible Notes 2016A in the principal amount of HK\$5,005,000 have been exercised and hence 35,000,000 shares have been issued.

As at 30 September 2014, the aggregate outstanding principal amount of the convertible notes 2016A was HK\$25,045,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 175,139,860 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 September 2014, 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 2014, 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 2014.

SUBSEQUENT EVENTS

On 15 October 2014, the resolution in relation to the proposed amendment to the terms and conditions of the Convertible Notes was duly passed by the Independent Shareholders by way of poll at the extraordinary general meeting of the Company. On 27 October 2014, the Stock Exchange granted its approval for the Amendment of Terms and the listing of the Conversion Shares to be issued as a result of the exercise of the Conversion Rights attaching to the Convertible Notes as amended by the Deeds of Amendment and therefore all the conditions precedent for the Amendment of Terms under the Deeds of Amendment have been fulfilled and the Amendment of Terms has become effective on 27 October 2014.

On 7 November 2014 (after trading hours), a Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six Placees, on a best effort basis, for subscribing up to an aggregate of 465,000,000 Placing Shares at HK\$0.539 per Placing Share. The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 10 October 2014.

Completion of the Placing, in any event, will take place within four business days after the fulfillment of the conditions of the Placing or such later days to be agreed between the Company and the Placing Agent.

Upon completion of the Placing (and assuming all the 465,000,000 Placing Shares are subscribed for), the gross proceeds and net proceeds arising from the Placing are estimated to be approximately HK\$250.6 million and approximately HK\$247 million respectively. The Company intends to use the net proceeds as general working capital of the Group and for any possible acquisition and other investment opportunities in the future.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2014, 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			Percentage of issued share capital
		Ordinary Share	Shares Options	Total	
Yuan Wei (<i>Director</i>)	Beneficial owner	–	20,000,000	20,000,000	0.86%
Wang Hui (<i>Chief Executive</i>)	Beneficial owner	–	6,377,306	6,377,306	0.27%
Li Xiangjun (<i>Director</i>)	Beneficial owner	313,590	6,712,954	7,026,544	0.30%

Save as disclosed above, as at 30 September 2014, 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 2014, 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
Magic Stone Fund (China)	Investment manager	160,000,000	6.87%
Yang Dong Jun (<i>note 1,2</i>)	Beneficial owner	235,694,756	10.13%
	Interest of a controlled corporation	160,000,000	6.87%
Atlantis Capital Holdings Limited	Investment manager	123,000,000	5.28%
Liu Yang (<i>note 3</i>)	Interest of a controlled corporation	123,000,000	5.28%
Du Runan	Beneficial owner	142,615,384	6.13%

- Notes:*
1. Mr. Yang Dong Jun owned 80.25% of Magic Stone Fund (China), a company incorporated in the Cayman Islands. Accordingly, Mr. Yang is deemed to be interested in 160,000,000 shares held by Magic Stone Fund (China).
 2. Interests in 235,694,756 shares or underlying shares comprise interest in 60,554,896 shares and interest in 175,139,860 underlying shares representing the conversion rights attached to the convertible notes in the principal amount of HK\$25,045,000.
 3. 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 123,000,000 shares of the Company.

Save as disclosed above, as at 30 September 2014, 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 2014.

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 2014, the committee comprised three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2014 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. Yuan Wei. Other members include Mr. Li Qunsheng and Ms. Li Ya Ru Nancy. 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. Yuan Wei. Other members include Mr. Li Qunsheng 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
Yuan Wei
Executive Director

Hong Kong, 13 November 2014

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Yuan Wei, and Mr. Yang Jilin; one non-executive Director, namely Mr. Li Xiangjun; and three independent non-executive directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.