



# 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)

### ANNUAL RESULTS

#### FOR THE YEAR ENDED 31 DECEMBER 2015

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This 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 (the “Directors”) of China E-Learning Group Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015, together with the comparative audited figures for the year ended 31 December 2014 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2015*

		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	5	<b>45,701</b>	47,474
Cost of goods sold and services provided		<b>(28,088)</b>	(27,680)
<b>Gross profit</b>		<b>17,613</b>	19,794
Other income	6	<b>310</b>	3,839
Administrative expenses	9	<b>(45,310)</b>	(33,143)
Other expenses	7	<b>(5,170)</b>	(251)
Finance costs, net	8	<b>(630)</b>	(10,292)
Incremental consideration resulted from adjustment to conversion price of convertible notes		—	(27,364)
<b>Loss before tax</b>		<b>(33,187)</b>	(47,417)
Income tax	10	—	—
<b>Loss for the year</b>	9	<b>(33,187)</b>	(47,417)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(41,875)</b>	(56,872)
Non-controlling interests		<b>8,688</b>	9,455
		<b>(33,187)</b>	(47,417)

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Loss per share</b>	12		
– Basic		<b>(1.36 cents)</b>	(2.76 cents)
– Diluted		<b>N/A</b>	N/A
		<u><u>          </u></u>	<u><u>          </u></u>
Loss for the year		<b>(33,187)</b>	(47,417)
Other comprehensive expense			
<i>Items that may be reclassified</i>			
<i>subsequently to profit or loss: :</i>			
Exchange differences on translating			
foreign operations			
Exchange difference arising during the year		<b>(2,555)</b>	(1,387)
Reclassification adjustments relating to			
foreign operations disposed during the year		–	531
		<u>          </u>	<u>          </u>
<b>Other comprehensive expense,</b>			
<b>net of income tax</b>		<b>(2,555)</b>	(856)
		<u>          </u>	<u>          </u>
<b>Total comprehensive expense for the year</b>		<b>(35,742)</b>	(48,273)
		<u>          </u>	<u>          </u>
Total comprehensive (expense) income			
for the year attributable to:			
Owners of the Company		<b>(44,430)</b>	(57,551)
Non-controlling interests		<b>8,688</b>	9,278
		<u>          </u>	<u>          </u>
		<b>(35,742)</b>	(48,273)
		<u><u>          </u></u>	<u><u>          </u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$,000</b>	2014 <i>HK\$,000</i>
<b>Assets and liabilities</b>			
<b>Non-current assets</b>			
Goodwill	13	–	–
Property, plant and equipment		<u>5,500</u>	<u>7,090</u>
		<b>5,500</b>	<b>7,090</b>
<b>Current assets</b>			
Inventories		37	24
Other receivables	14	149,603	172,362
Financial assets at fair value through profit or loss		7,990	–
Cash and cash equivalents		<u>64,061</u>	<u>187,412</u>
		<b>221,691</b>	<b>359,798</b>
<b>Total assets</b>		<u><b>227,191</b></u>	<u><b>366,888</b></u>
<b>Current liabilities</b>			
Trade and other payables	15	49,483	44,611
Financial derivatives		–	8
Convertible notes		–	9,382
		<u>49,483</u>	<u>54,001</u>
<b>Total liabilities</b>		<u><b>49,483</b></u>	<u><b>54,001</b></u>
<b>Net current assets</b>		<b>172,208</b>	<b>305,797</b>
<b>Total assets less current liabilities</b>		<u><b>177,708</b></u>	<u><b>312,887</b></u>
<b>Net assets</b>		<u><b>177,708</b></u>	<u><b>312,887</b></u>
<b>Capital and reserves</b>			
Share capital		294,510	321,427
Reserves		(123,387)	(14,884)
Non-controlling interests		<u>6,585</u>	<u>6,344</u>
<b>Total equity</b>		<u><b>177,708</b></u>	<u><b>312,887</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

*(Expressed in HK\$)*

### 1. GENERAL INFORMATION

China E-Learning Group Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands on 10 July 2001. The shares of the Company are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The addresses of the registered office and principal place of business of the Company are disclosed in the section of “Corporate Information” in the annual report.

The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Company acts as an investment holding company.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKFRS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the adoption of the above new standards, amendments and interpretations to existing standards will not result in a significant impact on the results and financial position of the Group.

### 4. OPERATING SEGMENT INFORMATION

#### Business segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group is currently having one continuing operating segment on a single business in a single geographical location, which is the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

#### Information about a major customer

No transactions with a single external customer amount to 10% or more of the Group's revenue during the years ended 31 December 2015 and 2014.

## 5. REVENUE

An analysis of the Group's turnover for the years is as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Tuition fee revenue	<u>45,701</u>	<u>47,474</u>
	<b><u>45,701</u></b>	<b><u>47,474</u></b>

## 6. OTHER INCOME

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	–	19
Interest income	74	1,929
Dividend income on financial assets at fair value through profit or loss	216	–
Sundry income	<u>20</u>	<u>1,891</u>
	<b><u>310</u></b>	<b><u>3,839</u></b>

## 7. OTHER EXPENSES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Donations	246	251
Net realised losses on financial assets at fair value through profit or loss	4,122	–
Net unrealised losses on financial assets at fair value through profit or loss	<u>802</u>	<u>–</u>
	<b><u>5,170</u></b>	<b><u>251</u></b>

## 8. FINANCE COSTS, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on financial liabilities measured at amortised cost	630	7,292
Compensation for non-cash settlement on financial liabilities	—	3,000
	<u>630</u>	<u>10,292</u>

## 9. LOSS FOR THE YEAR

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments)		
– basic salaries and allowances	12,340	9,435
– contributions to defined contribution plans	1,169	712
– other	—	1,000
– equity-settled share-based payments	7,433	1,259
	<u>20,942</u>	<u>12,406</u>
Total staff costs		
	<u>20,942</u>	<u>12,406</u>
Auditors remuneration:		
– Audit service	520	487
	<u>4,953</u>	<u>7,229</u>
Legal and professional fee		
	<u>4,953</u>	<u>7,229</u>
Depreciation of property, plant and equipment	1,643	1,282
	<u>1,643</u>	<u>1,282</u>
Payments under operating lease for land and buildings	1,749	2,383
	<u>1,749</u>	<u>2,383</u>
Equity-settled share-based payments	16,537	5,730
	<u>16,537</u>	<u>5,730</u>



## 10. INCOME TAX

During the year ended 31 December 2015, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits in Hong Kong (2014: Nil).

PRC subsidiaries are subject to PRC Enterprise Income tax at 25% (2014: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Loss before tax	<u>(33,187)</u>	<u>(47,417)</u>
Tax at respective applicable tax rates	<b>(5,291)</b>	(6,697)
Tax effect of expenses not deductible for tax purposes	<b>15,497</b>	20,144
Tax effect of income not taxable for tax purposes	<b>(11,425)</b>	(15,209)
Tax effect of tax losses not recognised	<u><b>1,219</b></u>	<u>1,762</u>
Income tax for the year	<u><u>—</u></u>	<u><u>—</u></u>

## 11. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

## 12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company of approximately HK\$41,875,000 (2014: HK\$56,872,000), and based on the weighted average number of shares in issue during the year of approximately 3,072,867,000 ordinary shares, as adjusted to reflect the exercise of share options and share repurchased (2014: 2,063,322,000 ordinary shares, as adjusted to reflect the shares by conversion of convertible notes, exercise of share options and issuance of placing shares) during the year.

### 13. GOODWILL

HK\$'000

#### Cost

At 1 January 2014, 31 December 2014 and 31 December 2015 679,104

#### Accumulated impairment losses

As at 1 January 2014, 31 December 2014 and 31 December 2015 (679,104)

#### Carrying amounts

At 31 December 2015 —

At 31 December 2014 —

#### Note:

i. Goodwill arose on acquisition of subsidiaries New Beida Business Study Net Group Limited is HK\$647,598,000 on 27 February 2008.

ii. Goodwill arose on acquisition of subsidiaries, IIN Medical (BVI) Group Limited (“IIN Medical (BVI)”) and its subsidiaries on 23 April 2009.

Goodwill arose on acquisition of non-controlling interests of Hunan IIN Medical Network Technology Development Company Limited, a subsidiary of IIN Medical (BVI), in May 2009.

Goodwill arose on acquisition of ii and iii is HK\$31,506,000.

#### 14. OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deposits and other receivables	159,742	181,880
Prepayments	1,961	3,154
Less: impairment losses	<u>(12,100)</u>	<u>(12,672)</u>
	<u><b>149,603</b></u>	<u><b>172,362</b></u>

At the end of each reporting period, the Group's other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

The movement for provision of impairment of other receivables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	12,672	18,077
Written-off	–	(5,197)
Exchange realignment	<u>(572)</u>	<u>(208)</u>
At 31 December	<u><b>12,100</b></u>	<u><b>12,672</b></u>

## 15. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	1,801	510
Other payables	29,744	20,504
Receipt in advance	15,454	17,190
Accrued charges	2,484	6,407
	<u>49,483</u>	<u>44,611</u>

An aging analysis of the trade payables as at the end of reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	1,774	375
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days	27	135
	<u>1,801</u>	<u>510</u>

The average credit period on cost of goods sold and services provided is 1-3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded revenue of approximately HK\$45,701,000 (2014: HK\$47,474,000) representing tuition fee revenue and sales of educational products. Gross profit for the year under review was approximately HK\$17,613,000 (2014: HK\$19,794,000), representing a gross profit margin of 38.5% for the year under review.

During the year, cost of goods sold and services provided amounted to approximately HK\$28,088,000 (2014: HK\$27,680,000) representing the overheads incurred in the distance learning courses.

Other income for the year under review was approximately HK\$310,000 (2014: HK\$3,839,000) representing the dividend income on financial assets at fair value through profit or loss of approximately HK\$216,000 (2014: Nil), an interest income of approximately HK\$74,000 (2014: HK\$1,929,000) and a sundry income of approximately HK\$20,000 (2014: HK\$1,891,000).

Administrative expenses for the year under review were approximately HK\$45,310,000 (2014: HK\$33,143,000), of which staff related costs were approximately HK\$20,942,000 (2014: HK\$12,406,000). Legal and professional fees were approximately HK\$4,953,000 (2014: HK\$7,229,000) representing the costs of conducting due diligences and obtaining financial advices with ongoing projects.

Other expenses for the year under review were approximately HK\$5,170,000 (2014: HK\$251,000), representing a charitable donation of approximately HK\$246,000 (2014: HK\$251,000), a net realised losses on financial assets at fair value through profit or loss of approximately HK\$4,122,000 (2014: Nil) and a net unrealised losses on financial assets at fair value through profit or loss of approximately HK\$802,000 (2014: Nil).

Finance costs during the year were approximately HK\$630,000 (2014: HK\$10,292,000).

### Capital structure, liquidity and financial resources

The Group financed its business operations mainly by cash revenue generated internally from operating activities and additional funds from exercise of share options. As at 31 December 2015, the Group has current assets of approximately HK\$221,691,000 (2014: HK\$359,798,000), including bank balances and cash of approximately HK\$64,061,000 (2014: HK\$187,412,000). Total non-current assets of the Group amounted to approximately HK\$5,500,000 (2014: HK\$7,090,000), representing property, plant and equipment. Total assets of the Group amounted to approximately HK\$227,191,000 (2014: HK\$366,888,000) as at 31 December 2015.

As at 31 December 2015, the Group did not have any outstanding bank borrowing. Total current liabilities of the Group were approximately HK\$49,483,000 (2014: HK\$54,001,000), which mainly comprised trade and other payables, convertible notes and the related financial derivatives. Total liabilities of the Group were approximately HK\$49,483,000 (2014: HK\$54,001,000). As at 31 December 2015, the Group had net assets of HK\$177,708,000 (2014: HK\$312,887,000).

### **Gearing ratio**

Gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 0.22 as at 31 December 2015 (2014: 0.15).

### **Share Capital**

As at 1 January 2015, 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\$321,427,119 divided into 3,214,271,196 shares of HK\$0.10 each.

During the year, 12,000,000 shares were issued upon exercise of shares options.

During the year, the Company repurchased a total of 281,168,000 ordinary shares of the Company at an aggregate consideration of approximately HK\$111,113,000 (excluding expenses) on the Stock Exchange. A total of 281,168,000 repurchased ordinary shares were cancelled during the period under review.

As at 31 December 2015, 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\$294,510,319 divided into 2,945,103,196 shares of HK\$0.10 each

### **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.

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. Hence, 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.

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 31 December 2015, the Company has not received any reply or notice from the holder and the Company has the funds available for settlement.

## **Convertible Notes 2012**

Pursuant to the acquisition of 100% interest in Everjoy Technology Development Corporation, the Company issued convertible notes (“ETCN”) as partial settlement of the acquisition consideration on 20 December 2012. The aggregate principal of ETCN 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.

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

Pursuant to the acquisition of 100% interest in Everjoy International Media Corporation, the Company issued convertible notes (“EICN”) as partial settlement of the acquisition consideration on 20 December 2012. The aggregate principal of EICN 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.

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

On 15 October 2014, the resolution in relation to the proposed amendment to the terms and conditions of ETCN and EICN was duly passed by the independent shareholders by way of poll at the Company's extraordinary general meeting.

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 ETCN and EICN 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 30 October 2014, the conversion rights attaching to ETCN in the principal amount of HK\$2,000,000 have been exercised and hence 5,714,285 shares have been issued. Hence ETCN were fully converted.

On 30 October 2014, the conversion rights attaching to EICN in the principal amount of HK\$35,000,000 have been exercised and hence 99,999,999 shares have been issued. On 16 December 2014, the conversion rights attaching to EICN in the principal amount of HK\$13,235,956 have been exercised and hence 37,817,017 shares have been issued.

As at 1 January 2016, the aggregate outstanding principal amount of EICN was HK\$10,000,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 28,571,428 new shares of the Company.

On 18 December 2015 (after trading hours), the Company entered into the Subscription Agreement with Ms. Li Jing, pursuant to the Subscription Agreement, the Company has agreed to issue, and Ms. Li Jing has agreed to subscribe for the Convertible Notes with an aggregate principal amount of HK\$10,000,000 for a total consideration of HK\$10,000,000, all of which shall be setoff in full against the equivalent amount of indebtedness owing by the Company to Ms. Li Jing under EICN at the Completion. EICN was matured on 20 December 2015. Completion of the issue of the Convertible Notes in the aggregate principal amount of HK\$10,000,000 took place on 13 January 2016.

## 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). The subscription consideration of HK\$6,000,000 was setoff in full against the equivalent amount of indebtedness owing by the Company to the subscriber. 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). The subscription consideration of HK\$5,000,000 was setoff in full against the equivalent amount of indebtedness owing by the Company to the subscriber.

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). The subscription consideration of HK\$10,000,000 was setoff in full against the equivalent amount of indebtedness owing by the Company to the subscriber. 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). The subscription consideration of HK\$4,234,000 was setoff in full against the equivalent amount of indebtedness owing by the Company to the subscriber.

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.

On 20 June 2014, the conversion rights attaching to CN2014-1 and CN2014-2 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 subscription consideration of HK\$40,775,000 was setoff in full against the equivalent amount of indebtedness owing by the Company to Mr. Yang. 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.

On 16 December 2014, the conversion rights attaching to the Convertible Notes 2016A in the principal amount of HK\$25,045,000 have been exercised and hence 175,139,860 shares have been issued. Hence convertible notes 2016A were fully converted.

## **Foreign exchange exposure**

Most of the Group’s assets, liabilities and transactions were denominated in Hong Kong dollars and Renminbi. Although the exchange rate between Hong Kong dollars and Renminbi has been moderately changing, it remains relatively stable. As the expenditure in PRC was covered by the sales in 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 as minimal. As at 31 December 2015, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

## **Significant investments and material acquisition**

On 17 November 2014, the Company entered into a strategic cooperation agreement (“Strategic Cooperation Agreement”) with Beijing Beizhong Asset Management Company Limited (北京北中資產管理有限公司) (“Beijing Beizhong”) in relation to the transfer of 49% of the right of income of the Distance Education College of the Beijing University of Chinese Medicine (北京中醫藥大學遠程教育學院) from the Beijing University of Chinese Medicine (北京中醫藥大學) to the Company and other cooperation projects (the “Cooperation”).

On 12 February 2015, the Company and Beijing Beizhong agreed in writing to extend the time for taking practical actions in respect of the Cooperation under the Strategic Cooperation Agreement for another three months.

On 16 May 2015, the Company and Beijing Beizhong agreed in writing to extend the time for taking practical actions in respect of the Cooperation under the Strategic Cooperation Agreement for another nine months and extend the time limit for the Strategic Cooperation Agreement to lapse and cease to have any legal effect for one more year.

On 16 November 2015, the Company and Beijing Beizhong agreed in writing to extend the time for taking practical actions in respect of the Cooperation under the Strategic Cooperation Agreement for another six months (that is, a total of 18 months from 17 November 2014).

## **Contingent liabilities and charges on the Group’s assets**

There were no significant contingent liabilities or charges on the Group’s assets as at 31 December 2015 (2014: Nil).

## **OPERATIONAL OVERVIEW**

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.

On 1 July 2010, the Joint Construction of Network Education College of Beijing University of Chinese Medicine Agreement (共建北京中醫藥大學網路教育學院協議書) (“Joint Construction Agreement”) entered into between Beijing University of Chinese Medicine (北京中醫藥大學) and Hunan IIN Medical Network Technology Development Co., Ltd. (“Hunan IIN Medical”), a subsidiary of IIN Medical (BVI), was successfully renewed. In accordance with the Joint Construction Agreement, Hunan IIN Medical’s entitlement to share 60% of the profits of Distance Education College of Beijing University of Chinese Medicine (北京中醫藥大學遠程教育學院) (“Distance Education College”) is reduced to 51% profit-sharing percentage during the year 2010 while all other terms and conditions thereunder are not less favourable than those under the Joint Construction Agreement. This e-learning business remained the core business of the Group in 2015.

In an attempt to expand its income stream and diversify its business spectrum, the Company has acquired the entire share capital of Everjoy Technology Development Corporation and Everjoy International Media Corporation (“Everjoy”) in 2012. The completion of this acquisition was done in December 2012, however it did not make significant contribution to the performance in 2012. The businesses of Everjoy started to record revenue in the second quarter of 2013 and the performance of Everjoy was unsatisfactory to the Group. The profit made by Everjoy during the first six months in the year 2013 was far below the expectation of the Board of the Company. It is also 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 and to devote resources to its existing business and any other potential businesses, if any. On 31 October 2013 (after trading hours), the Company entered into the an 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 Everjoy at the consideration, which was determined based on the fair values of Everjoy assessed by the independent professional valuer jointly appointed by the parties to the agreement.

On 27 February 2014, Roma Appraisals Limited, being an independent professional valuer jointly appointed by the parties to the agreement, issued its reports on the fair values of Everjoy. Thus, the considerations for the disposal of Everjoy at RMB20,600,000 (equivalent to approximately HK\$26,368,000) was fixed. The completion of the disposal took place on 12 March 2014.

On 14 April 2015, Hunan IIN Medical, a wholly-owned subsidiary of the Company, entered into a supplemental agreement (the “Agreement”) with the Beijing University of Chinese Medicine (北京中醫藥大學) (“BUCM”) for amending the agreement dated 29th June 2010 signed between them. Pursuant to the Agreement, Hunan IIN Medical will pass its daily business management and administrative management in respect of the Distance Education College of the Beijing University of Chinese Medicine (北京中醫藥大學遠程教育學院) (the “Distance Education College”) to BUCM.

This arrangement is primarily made for the purpose of consolidating the daily business management and administrative management of the Distance Education College, so as to reduce operating costs and increase revenue, fully leverage the advantages of both parties in their respective areas, and lay a solid foundation for overall expansion in the future.

### **Employee Information**

For the year under review, the total staff costs amounted to approximately HK\$20,942,000 (2014: HK\$12,406,000), representing an increase of approximately HK\$8,536,000 over the previous year.

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contribution to the mandatory provident fund and share options. Share options were granted to employees of the Group in the current year, whereby comparative details are set out in note 33 in the annual report.

### **PROSPECTS**

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.

On 17 November 2014, the Company entered into a strategic cooperation agreement (“Strategic Cooperation Agreement”) with Beijing Beizhong Asset Management Company Limited (北京北中資產管理有限公司) (“Beijing Beizhong”) in relation to the transfer of 49% of the right of income of the Distance Education College of the Beijing University of Chinese Medicine (北京中醫藥大學遠程教育學院) from the Beijing University of Chinese Medicine (北京中醫藥大學) to the Company and other cooperation projects (the “Cooperation”).

On 12 February 2015, the Company and Beijing Beizhong agreed in writing to extend the time for taking practical actions in respect of the Cooperation under the Strategic Cooperation Agreement for another three months.

On 16 May 2015, the Company and Beijing Beizhong agreed in writing to extend the time for taking practical actions in respect of the Cooperation under the Strategic Cooperation Agreement for another nine months and extend the time limit for the Strategic Cooperation Agreement to lapse and cease to have any legal effect for one more year.

On 16 November 2015, the Company and Beijing Beizhong agreed in writing to extend the time for taking practical actions in respect of the Cooperation under the Strategic Cooperation Agreement for another six months (that is, a total of 18 months from 17 November 2014).

Furthermore, 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.

#### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the period under review, the Company repurchased a total of 281,168,000 ordinary shares of the Company at an aggregate consideration of approximately HK\$111,113,000 (excluding expenses) on the Stock Exchange. Details of the repurchase of such ordinary shares are as follows:

<b>Month of repurchase</b>	<b>Number of ordinary shares repurchased</b>	<b>Highest price per share <i>HK\$</i></b>	<b>Lowest price per share <i>HK\$</i></b>	<b>Aggregate consideration (excluding transaction cost) <i>HK\$'000</i></b>
January	39,440,000	0.52	0.42	19,351
March	34,184,000	0.53	0.53	18,118
April	5,480,000	0.53	0.52	2,878
June	66,408,000	0.495	0.4	30,431
July	94,896,000	0.4	0.24	28,881
August	40,184,000	0.345	0.265	11,308
September	504,000	0.26	0.25	128
October	72,000	0.255	0.25	18
<b>Total</b>	<b>281,168,000</b>			<b>111,113</b>

A total of 281,168,000 repurchased ordinary shares were cancelled during the period under review.

Saved as disclosed above, there was no repurchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period under review.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 26 November 2001 with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures in compliance with the GEM Listing Rules. The committee currently comprises three independent non-executive directors, namely Mr. Li Qunsheng (the chairman of the committee), Dr. Huang Chung Hsing and Ms. Li Ya Ru Nancy.

The primary duties of the audit committee are to review and to provide supervision over the financial reporting process, risk management and internal control system of the Group, to review the audit plan, audit findings and independence of the auditors of the Company, to review the Group's financial information and financial statements, annual reports, interim reports and quarterly reports, and to provide advice and recommendation thereon to the Board.

## **SCOPE OF WORK OF MCMILLAN WOODS SG CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditors, McMillan Woods SG CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McMillan Woods SG CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods SG CPA Limited in this announcement.



## **EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT**

### **Basis for Disclaimer of Opinion**

We are of the opinion that the Group is unable to provide us with sufficient audit evidence in support of management's decision with regard to the measurement and disclosure of certain material amount involved in the presentation of consolidated financial statements, which we cannot perform audit procedures on these items:

1. The rationale and calculation related to shareholder's equity in relation to the share repurchased of the Group.
2. The grant of share options to various grantees for the relevant services rendered and/or to be rendered and how the measurement of such share options be consistent with the fair value measurement of such share option granted.
3. Certain material amounts of administrative expenses be relevant to the business activities conducted by the Group in the financial year concerned.
4. We are unable to access to any relevant documentation on the proper authorization procedures related to the management control mechanism on the Group's investment in marketable securities which the Group has made in the year ended 31 December 2015.
5. Any movement in property, plant and equipment and other receivables during the year cannot be ascertained as there is insufficient supporting documentation on those transactions affecting these items.
6. There is insufficient audit evidence substantiating the amount of other receivables as stated therein. In addition, we are unable to ascertain the recoverability of the balance of such items.
7. We are unable to perform audit procedures on the consolidated statements of cash flow with any possible material and pervasive effect on the consolidated financial statements arising from the above items.
8. The loss per share figures has not been ascertained and presented with sufficient documentation with respect to the loss for the year and the weighted average number of shares, including issued and potential dilutive effect on the execution of any issued share option as the respective number of such issued and potential dilutive effect of shares to be issued cannot be ascertained.

## **Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

Pursuant to the Corporate Governance Code (the “Code”) contained in Appendix 15 to the GEM Listing Rules of the Stock Exchange which sets out the principles of good corporate governance, the provisions of the Code (the “Code Provisions”) and the recommended best practices, the Company has applied the principles and complied with all the Code Provisions as set out in the Code during the year ended 31 December 2015, with the exception of deviation set out below.

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Following the step down of Mr. Chen Hong from the office of Chairman and an Executive Director of the Company on 14 February 2014, the Company has not appointed chairman, and the roles and functions of the chairman have been performed by all the executive directors collectively.

Under Code Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. During the year, the non-executive director and two independent non-executive directors are appointed for a specific term of service and one independent non-executive director is not appointed for a specific term of service. Since each of the independent non-executive directors is subject to rotation and re-election at the annual general meeting in accordance with the articles of association of the Company, as such, the Company considers that sufficient measures have been taken to serve the purpose of the Code Provision A.4.1 of the Code.

Under Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views shareholders. Dr. Huang Chung Hsing, Ms. Li Ya Ru Nancy, Mr. Li Qunsheng, the independent non-executive directors of the Company and Mr. Li Xiangjun, the non-executive director of the Company were unable to attend an annual general meeting of the Company held on 9 June 2015 due to their respective commitments elsewhere.

Following the step down of Mr. Chen Hong from the office of Chairman and an Executive Director of the Company on 14 February 2014, the Company has not appointed chairman, and the roles and functions of the chairman have been performed by all the executive directors collectively. The Board provide the Group with strategic direction and ensure its effectiveness in a timely manner. Whereas Ms. Wang Hui, the chief executive officer of the Company, is responsible for the strategic planning of its various business units, and day-to-day management of its operation.

Mr. Li Xiangjun was appointed as the non-executive director of the Company on 7 December 2012 for a period of three years subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the articles of association of the Company (the “Articles of Association”) and GEM Listing Rules. The Company has entered into a contract with Mr. Li for a period of four months in December 2015 which will be terminated in April 2016.

The Board of Directors of the Company regularly monitors and reviews the Group’s progress in respect of corporate governance practices to ensure compliance.

By order of the Board  
**China E-Learning Group Limited**  
**Yuan Wei**  
*Executive Director*

Hong Kong, 30 March 2016

*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, Mr. Li Xiangjun; and three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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, 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 in this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page and the website of the Company at [www.chinae-learning.com](http://www.chinae-learning.com) for at least 7 days from the date of its publication.*