



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)

2016 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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.

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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 statements of the Company and its subsidiaries (collectively the “Group”) for the six months and three months ended 30 June 2016, together with the comparative unaudited figures of the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	(Unaudited)		(Unaudited)	
		For the six months ended 30 June		For the three months ended 30 June	
		2016	2015	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	30,168	25,914	20,265	15,131
Cost of sales		(13,222)	(11,160)	(8,882)	(7,118)
Gross profit		16,946	14,754	11,383	8,013
Other income	4	37	2,326	37	672
Other expenses	5	(18,456)	–	2,370	–
Administrative expenses		(16,282)	(12,208)	(10,290)	(6,110)
(Loss)/profit from operations		(17,755)	4,872	3,500	2,575
Finance costs	6	(273)	(754)	(147)	(397)
(Loss)/profit before tax	7	(18,028)	4,118	3,353	2,178
Income tax	8	–	–	–	–
(Loss)/profit for the period		(18,028)	4,118	3,353	2,178
Attributable to:					
Owners of the Company		(24,208)	(3,542)	162	(1,963)
Non-controlling interests		6,180	7,660	3,191	4,141
		(18,028)	4,118	3,353	2,178
Loss per share attributable to owners of the Company (HK cents)					
– Basic	10	(0.82)	(0.11)	(0.02)	(0.06)
– Diluted	10	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(18,028)	4,118	3,353	2,178
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	(1,418)	(216)	(1,939)	(52)
Total comprehensive (loss)/income for the period	(19,446)	3,902	1,414	2,126
Attributable to:				
Owners of the Company	(25,626)	(3,758)	(1,777)	(2,015)
Non-controlling interests	6,180	7,660	3,191	4,141
	(19,446)	3,902	1,414	2,126

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		4,666	5,500
		<u>4,666</u>	<u>5,500</u>
Current assets			
Inventories		–	37
Financial asset at fair value through profit or loss		15,013	7,990
Other receivables	<i>11</i>	152,433	149,603
Cash and cash equivalents		29,799	64,061
		<u>197,245</u>	<u>221,691</u>
TOTAL ASSETS		<u>201,911</u>	<u>227,191</u>
Current liabilities			
Trade and other payables	<i>12</i>	30,576	49,483
		<u>30,576</u>	<u>49,483</u>
Non-current liabilities			
Convertible notes		9,099	–
TOTAL LIABILITIES		<u>39,675</u>	<u>49,483</u>
NET CURRENT ASSETS		<u>166,669</u>	<u>172,208</u>
NET ASSETS		<u>162,236</u>	<u>177,708</u>
CAPITAL AND RESERVE			
Share capital	<i>13</i>	295,510	294,510
Reserves		(146,039)	(123,387)
Non-controlling interests		12,765	6,585
TOTAL EQUITY		<u>162,236</u>	<u>177,708</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months	
	ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(20,664)	21,379
Net cash (outflow)/inflow from investing activities	(25,220)	210
Net cash inflow/(outflow) from financing activities	12,527	(50,834)
Decrease in cash and cash equivalents	(33,357)	(29,245)
Cash and cash equivalents at the beginning of period	64,061	187,412
Effect of exchange rate changes	(905)	(216)
Cash and cash equivalents at the end of period	29,799	157,951
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	29,799	157,951

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	(Unaudited)									
	Share capital	Share premium	Share-based payment reserve	Exchange fluctuation reserve	Convertible notes equity reserve	PRC staff award fund reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 1 January 2015	321,427	310,567	14,420	10,896	6,144	4,442	(361,353)	306,543	6,344	312,887
Profit/(loss) for the period	-	-	-	-	-	-	(3,542)	(3,542)	7,660	4,118
Other comprehensive loss	-	-	-	(216)	-	-	-	(216)	-	(216)
Total comprehensive (loss)/income for the period	-	-	-	(216)	-	-	(3,542)	(3,758)	7,660	3,902
Exercise of share options	1,200	1,229	(413)	-	-	-	-	2,016	-	2,016
Share repurchases	(10,392)	(42,021)	-	-	-	-	-	(52,413)	-	(52,413)
As of 30 June 2015	312,235	269,775	14,007	10,680	6,144	4,442	(364,895)	252,388	14,004	266,392
As of 1 January 2016	294,510	228,254	30,544	8,341	-	6,558	(397,084)	171,123	6,585	177,708
(Loss)/profit of the period	-	-	-	-	-	-	(24,208)	(24,208)	6,180	(18,028)
Other comprehensive loss	-	-	-	(1,418)	-	-	-	(1,418)	-	(1,418)
Total comprehensive (loss)/income for the period	-	-	-	(1,418)	-	-	(24,208)	(25,626)	6,180	(19,446)
Exercise of share options	1,000	2,476	(676)	-	-	-	-	2,800	-	2,800
Issue of convertible notes	-	-	-	-	1,174	-	-	1,174	-	1,174
As of 30 June 2016	295,510	230,730	29,868	6,923	1,174	6,558	(421,292)	149,471	12,765	162,236

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 interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2015. 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 2015. The adoption of these new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

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

3. TURNOVER

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

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	37	47	37	27
Sundry income	–	121	–	120
Gain on sale of financial assets	–	1,946	–	313
Fair value gain on financial asset at fair value through profit and loss	–	212	–	212
	37	2,326	37	672

5. OTHER EXPENSES

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net realised loss on financial assets at fair value through profit or loss	(223)	–	–	–
Net unrealised (loss)/profit on financial assets of fair value through profit or loss	(18,233)	–	2,370	–
	(18,456)	–	2,370	–

6. FINANCE COSTS

Finance costs represent interest expenses on financial liabilities measured at amortised cost.

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	(Unaudited)		(Unaudited)	
	For the six months ended 30 June		For the three months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of plant and equipment	834	1,101	436	551
Staff costs (including directors' emoluments)	5,467	5,258	2,547	2,447
	<u>5,467</u>	<u>5,258</u>	<u>2,547</u>	<u>2,447</u>

8. 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.

9. DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2016 (2015: nil).

10. 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)		(Unaudited)	
	For the six months ended 30 June		For the three months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited (loss)/profit for the period for the purpose of basic and diluted loss per share	(24,208)	(3,542)	162	(1,963)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(Unaudited)		(Unaudited)	
	For the six months ended 30 June		For the three months ended 30 June	
Number of shares	2016	2015	2016	2015
Weighted average number of ordinary shares for the purpose of basic loss per share	2,946,037,262	3,174,936,231	2,946,971,327	3,149,565,789
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	N/A	N/A	N/A	N/A
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No diluted loss per share has been presented for the six months and three months ended 30 June 2016 because the Company's outstanding options and convertible loan notes outstanding during the six months and three months ended 30 June 2016 had an anti-dilutive impact.

11. OTHER RECEIVABLES

	(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
Deposits and other receivables	159,969	159,742
Prepayments	3,733	1,961
Less: impairment losses	(11,269)	(12,100)
	<u>152,433</u>	<u>149,603</u>

12. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
Trade payable	890	133
Other payables	17,975	20,458
Receipts in advance	6,821	5,909
Accrued charges	4,890	2,125
	<u>30,576</u>	<u>28,625</u>

The aging analysis of trade payable as at the end of reporting period is as follows:

	(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
Within 30 days	—	—
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days	890	133
	<u>890</u>	<u>133</u>

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

13. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary share of HK\$0.1 each		
Authorised		
At 1 January 2016	50,000,000,000	5,000,000
At 30 June 2016	<u>50,000,000,000</u>	<u>5,000,000</u>
Issued and fully paid		
At 1 January 2016	2,945,103,196	294,510
Exercised of share options	<u>10,000,000</u>	<u>1,000</u>
At 30 June 2016	<u>2,955,103,196</u>	<u>295,510</u>

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2016 (31 December 2015: Nil).

15. COMMITMENTS

At 30 June 2016, the Group had the following commitments in respect of operating leases of rented premises and office equipment:

	(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
Within one year	<u>2,504</u>	<u>2,228</u>
	<u>2,504</u>	<u>2,228</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's turnover in the first half of the year was 16.42% more than the same period last year. The medical education core business remains stable.

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).

On 16 May 2016, 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.

During the period from 17 December 2015 to 14 January 2016, the Company purchased a total of 7,427,000 Wai Chi Shares on the Stock Exchange at the prices per Wai Chi Share ranging from HK\$3.33 to HK\$4.00. The total consideration of the Acquisition was approximately HK\$29.4 million. As a result of the Acquisition, the Group held 3.71% of Wai Chi Shares. The Acquisition was made by the Company solely for trading purpose.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded revenue of approximately HK\$30,168,000 (2015: HK\$25,914,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$16,946,000 (2015: HK\$14,754,000), representing a gross profit margin of 56.2% for the period under review.

During the period, cost of sales was approximately HK\$13,222,000 (2015: HK\$11,160,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$37,000 (2015: HK\$2,326,000) representing an interest income of approximately HK\$37,000 (2015: HK\$47,000). In 2015, included a sundry income of approximately HK\$121,000, a gain on sale of financial assets of approximately 1,946,000 and a fair value gain on financial asset at fair value through profit and loss of approximately 212,000.

Other expenses for the period under review amounted to approximately HK\$18,456,000 (2015: Nil) representing net realised loss on financial assets at fair value through profit or loss of approximately HK\$223,000 (2015: Nil) and net unrealised loss on financial assets of fair value through profit or loss of approximately HK\$18,233,000 (2015: Nil).

Administrative expenses for the period under review were approximately HK\$16,282,000 (2015: HK\$12,208,000), of which staff related costs were approximately HK\$5,467,000 (2015: HK\$5,258,000). Other major expenses include rental, which was approximately HK\$1,020 (2015: HK\$875,000); consultancy fees, which were approximately HK\$727,000 (2015: HK\$1,928,000); and depreciation charges, which were approximately HK\$834,000 (2015: HK\$1,101,000) during the period under review.

Finance costs during the period were approximately HK\$273,000 (2015: HK\$754,000), and the consolidated loss for the period was approximately HK\$18,541,000 (2015 profit HK\$4,118,000).

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.

In response to the disclaimer of opinion stated in the annual report for the year ended 31 December 2015, the Company take initiative to proceed a voluntary interim audit for the year 2016 in order to improve by providing the auditor 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 as at 30 June 2016.

Liquidity and financial resources

As at 30 June 2016, the Group had current assets of approximately HK\$197 million including cash and bank balances of approximately HK\$30 million, and the Group did not have any bank borrowings. Total assets were approximately HK\$202 million and total liabilities were approximately HK\$40 million, representing a gearing ratio (expressed as total liabilities to total assets) of approximately 0.2, as compared with approximately 0.22 at the beginning of the year 2016.

Share capital

As at 30 June 2016, 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\$295,510,318 divided into 2,955,103,196 shares of HK\$0.10 each.

Convertible Notes

Convertible Notes 2018

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.

Completion of the issue of the Convertible Notes 2018 (CN2018) in the aggregate principal amount of HK\$10,000,000 took place on 13 January 2016.

As at 30 June 2016, the aggregate outstanding principal amount of CN2018 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.

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. As the exchange rate between Hong Kong dollars and Renminbi is relatively stable and the expenditure in the People's Republic of China ("PRC") was covered by the sales in the PRC, the management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 30 June 2016, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

Significant investments

During the six months ended 30 June 2016, no significant investments were made by the Group.

Charges on the Group's assets

There were no material charges on the Group's assets as at 30 June 2016.

Employees Information

As at 30 June 2016, the Group had a total of 27 employees (2015: 25 employees) (including executive directors). During the period under review, the total staff costs amount to approximately HK\$5,467,000 (2015: approximately HK\$5,258,000), representing an increase of approximately 4% over the prior period.

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contribution to the mandatory provident fund and share options. During the six months ended 30 June 2016, no share options were granted to employees of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2016, 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 and chief executive	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	0.68%
Yang Jilin (<i>Director</i>)	Beneficial owner	–	20,000,000	20,000,000	0.68%
Li Xiangjun (<i>Director</i>)	Beneficial owner	313,590	6,712,954	7,026,544	0.24%
Wang Hui (<i>Chief Executive Officer</i>)	Beneficial owner	–	26,377,306	26,377,306	0.89%

Save as disclosed above, as at 30 June 2016, 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 DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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
Atlantis Capital Holdings Limited	Investment manager	391,000,000	13.23%
Liu Yang (<i>note 1</i>)	Interest of a controlled corporation	391,000,000	13.23%
Riverwood Asset Management (Cayman) Ltd	Investment manager	191,000,000	6.46%
Magic Stone Fund (China)	Investment manager	172,448,000	5.84%
Yang Dong Jun (<i>note 2, 3</i>)	Beneficial owner	12,720,000	0.43%
Yang Dong Jun (<i>note 2, 3</i>)	Interest of a controlled corporation	182,048,000	6.16%

- 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 391,000,000 shares of the Company.
 2. 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 172,448,000 shares held by Magic Stone Fund (China).
 3. Mr. Yang Dong Jun is the father of Mr. Yang Jilin, an executive director of the Company.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed Securities during the six months ended 30 June 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2016, 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 six months ended 30 June 2016 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, 12 August 2016

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Yuan Wei, and Ms. Zhang Jianxin; 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page and the website of the Company at www.chinae-learning.com for at least 7 days from the date of its publication.