# 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 2014

**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 2014, together with the comparative audited figures for the year ended 31 December 2013 as follows:

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

*For the year ended 31 December 2014*

| | *Notes* | **2014**<br>***HK$'000*** | 2013<br>*HK$'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | *5* | **47,474** | 47,066 |
| Cost of goods sold and services provided | | **(27,680)** | (25,098) |
| **Gross profit** | | **19,794** | 21,968 |
| Other income | *6* | **3,839** | 667 |
| Administrative expenses | *9* | **(33,143)** | (34,917) |
| Other expenses | *7* | **(251)** | (462) |
| Finance costs, net | *8* | **(10,292)** | (9,807) |
| Incremental consideration resulted from adjustment to conversion price of convertible notes | | **(27,364)** | – |
| **Loss before tax** | | **(47,417)** | (22,551) |
| Income tax | *10* | **–** | – |
| **Loss for the year from continuing operations** | *9* | **(47,417)** | (22,551) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | *12* | **–** | (63,531) |
| Loss for the year | | **(47,417)** | (86,082) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(56,872)** | (96,449) |
| Non-controlling interests | | **9,455** | 10,367 |
| | | **(47,417)** | (86,082) |
| **Loss per share** | *13* | | |
| From continuing and discontinued operations | | | |
| – Basic | | **(2.76 cents)** | (6.53 cents) |
| – Diluted | | **N/A** | N/A |
| From continuing operations | | | |
| – Basic | | **(2.76 cents)** | (2.23 cents) |
| – Diluted | | **N/A** | N/A |
| From discontinued operation | | | |
| – Basic | | **N/A** | (4.30 cents) |
| – Diluted | | **N/A** | N/A |

| | Notes | **2014** | 2013 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Loss for the year | | **(47,417)** | (86,082) |
| Other comprehensive (expense) income | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Reclassification adjustment relating to available-for-sale financial assets disposed of during the year | | **–** | 393 |
| Exchange differences on translating foreign operations | | | |
| Exchange difference arising during the year | | **(1,387)** | 1,489 |
| Reclassification adjustments relating to foreign operations disposed during the year | | **531** | – |
| **Other comprehensive (expense) income, net of income tax** | | **(856)** | 1,882 |
| **Total comprehensive expense for the year** | | **(48,273)** | (84,200) |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | **(57,551)** | (95,228) |
| Non-controlling interests | | **9,278** | 11,028 |
| | | **(48,273)** | (84,200) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Assets and liabilities** | | | |
| **Non-current assets** | | | |
| Goodwill | *14* | **–** | – |
| Property, plant and equipment | | **7,090** | 1,165 |
| | | **7,090** | 1,165 |
| **Current assets** | | | |
| Inventories | | **24** | 11 |
| Other receivables | *15* | **172,362** | 89,126 |
| Cash and cash equivalents | | **187,412** | 15,101 |
| | | **359,798** | 104,238 |
| Assets classified as held for sale | | **–** | 29,480 |
| | | **359,798** | 133,718 |
| **Total assets** | | **366,888** | 134,883 |
| **Current liabilities** | | | |
| Trade and other payables | *16* | **44,611** | 48,168 |
| Financial derivatives | | **8** | 500 |
| Other borrowings | | **–** | 35,483 |
| Convertible notes | | **9,382** | 52,952 |
| | | **54,001** | 137,103 |
| Liabilities directly associated with assets classified as held for sale | | **–** | 59 |
| | | **54,001** | 137,162 |
| **Net current assets/(liabilities)** | | **305,797** | (3,444) |
| **Total assets less current liabilities** | | **312,887** | (2,279) |
| **Non-current liabilities** | | | |
| Other borrowing | | **–** | 31,304 |
| Convertible notes | | **–** | 60,265 |
| | | **–** | 91,569 |
| **Total liabilities** | | **54,001** | 228,731 |
| **Net assets/(liabilities)** | | **312,887** | (93,848) |
| **Capital and reserves** | | | |
| Share capital | | **321,427** | 161,422 |
| Reserves | | **(14,884)** | (261,026) |
| Non-controlling interests | | **6,344** | 5,756 |
| **Total equity** | | **312,887** | (93,848) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2014*

## 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 Group's principal activities have not been changed during the year and the Group was engaged in the provision of an internet platform for the facilitation of eduction program in Chinese medicine and other advisory and training programs.

## 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 HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivates and Continuation of Hedge Accounting |
| HK (IFRIC) – Int 21 | Levies |

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[1] |
| HKFRS 14 | Regulatory Deferral Accounts[2] |
| HKFRS 15 | Revenue from Contracts with Customers[3] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[5] |
| Amendments to HKFRS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[5] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[5] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[4] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[5] |
| Amendments to HKAS 10 and HKAS 28 | Sale or contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[6] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle[5] |

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

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 2014 and 2013.

## 5. REVENUE

**Continuing operations**

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Tuition fee revenue | **47,474** | 47,066 |
| | **47,474** | 47,066 |

## 6. OTHER INCOME

**Continuing operations**

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gain on disposal of property, plant and equipment | **19** | 241 |
| Interest income | **1,929** | 43 |
| Sundry income | **1,891** | 383 |
| | **3,839** | 667 |

## 7. OTHER EXPENSES

**Continuing operations**

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Donations | **251** | 251 |
| Loss on disposal of available-for-sale financial assets | **–** | 2 |
| Loss on redemption of convertible notes | **–** | 209 |
| | **251** | 462 |

## 8. FINANCE COSTS, NET

**Continuing operations**

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest expenses on financial liabilities measured at amortised cost | **7,292** | 12,029 |
| Fair value changes on financial derivative | **–** | (2,222) |
| Compensation for non-cash settlement on financial liabilities | **3,000** | – |
| | **10,292** | 9,807 |

## 9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax has been arrived at after charging: | | |
| Staff costs (including directors' emoluments) | | |
| – basic salaries and allowances | **9,435** | 9,988 |
| – contributions to defined contribution plans | **712** | 873 |
| – Other | **1,000** | 31 |
| – Equity-settled share-based payments | **1,259** | 1,888 |
| Total staff costs | **12,406** | 12,780 |
| Auditors' remuneration: | | |
| – Audit service | **487** | 425 |
| Legal and professional fee | **7,229** | 5,617 |
| Depreciation of property, plant and equipment | **1,282** | 1,689 |
| Payments under operating lease for land and buildings | **2,383** | 3,325 |
| Equity-settled share-based payments | **5,730** | 6,224 |

## 10. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

During the year ended 31 December 2014, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits in Hong Kong (2013: Nil).

PRC subsidiaries are subject to PRC Enterprise Income tax at 25% (2013: 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:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax (from continuing operations) | **(47,417)** | (22,551) |
| Tax at respective applicable tax rates | **(6,697)** | (3,082) |
| Tax effect of expenses not deductible for tax purposes | **20,144** | 12,616 |
| Tax effect of income not taxable for tax purposes | **(15,209)** | (11,766) |
| Tax effect of tax losses not recognised | **1,762** | 2,873 |
| Utilisation of tax losses previously not recognised | **–** | (641) |
| Income tax for the year (relating to continuing operations) | **–** | – |

## 11. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

## 12. LOSS FOR THE YEAR FROM DISCONTINUING OPERATIONS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | – | 3,593 |
| Profit before tax | – | 3,593 |
| Loss on remeasurement to fair values less costs to sell | | |
| — Impairment losses on goodwill | – | (56,008) |
| — Impairment losses on other receivables | – | (11,116) |
| Loss for the year from discontinued operations | – | (63,531) |

The Group has discontinued the operating segment on online ticketing business through Everjoy Technology Development Corporation and Everjoy International Media Caporation since 31 October 2013.

## 13. LOSS PER SHARE

**From continuing and discontinued operations**

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$56,872,000 (2013: HK$96,449,000), and based on the weighted average number of shares in issue during the year of approximately 2,063,322,000 ordinary shares (2013:1,476,858,000 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.

**From continuing operations**

The calculation of the basic loss per share from continuing operations is based on loss for the year from continuing operations attributable to the owners of the Company of approximately HK$56,872,000 (2013: HK$32,918,000), and based on the weighted average number of shares in issue during the year of approximately 2,063,322,000 ordinary shares (2013: 1,476,858,000 ordinary shares), as adjusted to reflect the shares by conversion of convertible notes, exercise of share options and issuance of placing share during the year.

**From discontinued operations**

The calculation of the basic loss per share from discontinued operations is based on loss for the year from discontinued operations attributable to the owners of the Company of approximately HK$Nil (2013: HK$63,531,000), and based on the weighted average number of shares in issue during the year of approximately 2,063,332,000 ordinary shares (2013: 1,476,858,000 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.

No diluted loss per share has been presented for the years of 2014 and 2013 as the share options and convertible notes outstanding have anti-dilutive effects on the basic loss per share amounts presented.

## 14. GOODWILL

| | The Group |
|---|---|
| | *HK$'000* |
| **Cost** | |
| At 1 January 2013 *(Notes i, ii, iii & iv)* | 747,159 |
| Transfer to Assets classified as held for sale *(Note v)* | (68,055) |
| At 31 December 2013 and 31 December 2014 | 679,104 |
| **Accumulated impairment losses** | |
| As at 1 January 2013 | 679,104 |
| Impairment losses recognised during the year | 56,008 |
| Transfer to Assets classified as held for sale *(Note v)* | (56,008) |
| At 31 December 2013 and 31 December 2014 | – |
| **Carrying amounts** | |
| At 31 December 2014 | – |
| At 31 December 2013 | – |

*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.

iii. 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.

iv. Goodwill arose on acquisition of subsidiaries, Everjoy International Media Corporation ("EI") and Everjoy Technology Development Corporation ("ET") is HK$68,055,000 on 20 December 2012.

v. On 31 October 2013, the Company entered into an agreement to dispose of EI and ET. The disposal was completed on 12 March 2014, the goodwill and accumulated impairment losses of ET and EI was transfer to Assets classified as held for sale accordingly.

vi. On 12 March 2014, EI and ET was disposed, the goodwill and accumulated impairment losses was derecognised.

## 15. OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Deposits and other receivables | **181,880** | 104,576 | **95,072** | 591 |
| Prepayments | **3,154** | 2,627 | **2,027** | – |
| Less: impairment losses | **(12,672)** | (18,077) | **–** | – |
| | **172,362** | 89,126 | **97,099** | 591 |

Deposits and other receivables include rental and utilities deposits, deposit for a trading contract and a deposit in the sum of HK$54,500,000 ("Registered Capital Deposit") for prepayment of registered capital of a new subsidiary which was to be established in the PRC. As at the date of the announcement, the trading contract was terminated and all the deposit paid pursuant to it was refunded without any deduction, and as the Company subsequently decided not to establish the aforesaid subsidiary, a sum of HK$29,500,000 has been refunded to the Company as part of the Registered Capital Deposit, and the Company expects to receive the balance of the Registered Capital Deposit in the sum of HK$25,000,000 in due course.

At the end of each reporting period, the Group's trade and 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 Group's movement for provision of impairment of other receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| At 1 January | **18,077** | 33,450 | **–** | – |
| Impairment losses | **–** | 11,116 | **–** | – |
| Transfer to assets classified as held for sale | **–** | (11,116) | **–** | – |
| Written-off | **(5,197)** | (20,745) | **–** | – |
| Exchange realignment | **(208)** | 5,372 | **–** | – |
| At 31 December | **12,672** | 18,077 | **–** | – |

## 16. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade payables | **510** | 578 | **–** | – |
| Other payables | **20,504** | 19,999 | **3,110** | 129 |
| Receipt in advance | **17,190** | 20,425 | **–** | – |
| Accrued charges | **6,407** | 7,166 | **4,679** | 5,227 |
| | **44,611** | 48,168 | **7,789** | 5,356 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Within 30 days | **375** | – | **–** | – |
| 31 to 60 days | **–** | – | **–** | – |
| 61 to 90 days | **–** | – | **–** | – |
| Over 90 days | **135** | 578 | **–** | – |
| | **510** | 578 | **–** | – |

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 2014, the Group's continuing operations recorded revenue of approximately HK$47,474,000 (2013: HK$47,066,000), representing tuition fee revenue and sales of educational products. Gross profit for the year under review was approximately HK$19,794,000 (2013: HK$21,968,000), representing a gross profit margin of 41.7% for the year under review.

During the year, cost of sales for continuing operations amounted to approximately HK$27,680,000 (2013: HK$25,098,000), representing the overheads incurred in the distance learning courses.

Other income for the year under review was approximately HK$3,839,000 (2013: HK$667,000), representing the gain on disposal of property, plant and equipment of approximately HK$19,000 (2013: HK$241,000), an interest income of approximately HK$1,929,000 and a sundry income of approximately HK$1,891,000 (2013: HK$383,000).

Administrative expenses for continuing operations for the year under review were approximately HK$33,143,000 (2013: HK$34,917,000), of which staff related costs were approximately HK$12,406,000 (2013: HK$12,780,000). Legal and professional fees were approximately HK$7,229,000 (2013: HK$5,617,000), representing the costs of conducting due diligences and obtaining financial advices with ongoing projects.

Other expenses for the year under review were approximately HK$251,000 (2013: HK$462,000), representing a charitable donation of approximately HK$251,000 (2013: HK$251,000) and the loss on redemption of convertible notes of HK$nil (2013: HK$209,000).

Finance costs during the year were approximately HK$10,292,000 (2013: HK$9,807,000). They primarily consist of interest expenses on financial liabilities measured at amortised cost of approximately HK$7,292,000 (2013: HK$12,029,000) and compensation for non-cash settlement on financial liabilities of HK$3,000,000 (2013: Nil).

### 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 and placing. As at 31 December 2014, the Group has current assets of approximately HK$359,798,000 (2013: HK$133,718,000), including bank balances and cash of approximately HK$187,412,000 (2013: HK$15,101,000). Total non-current assets of the Group amounted to approximately HK$7,090,000 (2013: HK$1,165,000), representing property, plant and equipment. Total assets of the Group amounted to approximately HK$366,888,000 (2013: HK$134,883,000) as at 31 December 2014.

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.

On 7 November 2014, the Company entered into the placing agreement with the placing agent to place an aggregate of 465,000,000 shares of HK$0.10 each at a price of HK$0.539 per placing share. The aggregate net proceeds were approximately HK$247,000,000. The issuance of the placing shares completed on 21 November 2014. The net proceeds from the placing, after deduction of the placing commission and other related expenses, of approximately HK$247,000,000, are intended to be used for general working capital of the Group and for any possible acquisition and other investment opportunities in the future. During the year under review, part of the net proceeds from the placing were used for general working capital of the Group.

As at 31 December 2014, the Group did not have any outstanding bank borrowing. Total current liabilities of the Group were approximately HK$54,001,000 (2013: HK$137,162,000), which mainly comprised trade and other payables, convertible notes and the related financial derivatives. Total liabilities of the Group were approximately HK$54,001,000 (2013: HK$228,731,000). As at 31 December 2014, the Group had net assets of HK$312,887,000 (2013: HK$93,848,000 net liabilities).

**Gearing ratio**

Gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 0.15 as at 31 December 2014 (2013: 1.7).

**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.

During the year, 880,048,294 shares were issued upon conversion of convertible notes.

During the year, 255,000,000 shares were issued upon exercise of share options.

On 7 November 2014, the Company entered into the placing agreement with the placing agent to place an aggregate of 465,000,000 shares of HK$0.10 each at a price of HK$0.539 per placing share. The aggregate net proceeds were approximately HK$247,000,000. The issuance of the placing shares completed on 21 November 2014.

As at 31 December 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$321,427,119 divided into 3,214,271,196 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.

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 31 December 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 amount arising from the mature of convertible notes. As at 31 December 2014, 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 the 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.

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 with 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 the 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.

As at 1 January 2014, the aggregate outstanding principal amount of the EICN 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 ETCN and EICN . 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 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 as at 31 December 2014.

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 31 December 2014, 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.

**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.

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 CN2014-1 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 31 December 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 2016A. 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 2016A 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 as at 31 December 2014.

**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 2014, 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.

**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 2014 (2013: 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 2014.

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.

**Employee Information**

As at 31 December 2014, the Group had a total of 37 employees (2013: 32 employees) (including executive directors). For the year under review, the total staff costs amounted to approximately HK$12,406,000 (2013: HK$12,780,000), representing a decrease of approximately HK$374,000 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 37 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.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

On 22 January 2015, the Company repurchased on the Stock Exchange a total of 21,872,000 shares at a total consideration of approximately HKD10,540,000. On 23 January 2015, the Company repurchased on the Stock Exchange a total of 17,568,000 shares at a total consideration of approximately HKD8,811,000. A total of 39,440,000 shares have been cancelled on 9 February 2015.

## 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 who was appointed on 7 February 2014), 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 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 2014 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.

## 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 2014, with the exception of deviation set out below.

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.

During the year under review, Mr. Chen Hong was the chairman and Ms. Wang Hui was the chief executive officer of the Company respectively and their roles are clearly segregated, with a clear division of their responsibilities complying Code Provision A.2.1 of the Code. Mr. Chen Hong was the chairman whose role is to provide leadership for the Board and provide the Group with strategic direction in consultation with the Board in a timely manner to ensure effectiveness of the Board, whereas Ms. Wang Hui, the chief executive officer, is responsible for the strategic planning of its various business units, and day-to-day management of its operation.

Mr. Chen Hong has resigned as chairman and executive director of the Company with effect from 14 February 2014 and Mr. Yang Jilin has been appointed as executive director with effect from 8 July 2014. Currently the Board of Directors comprises two executive directors and the Code Provision A.2.1 of the Code is not complied. But the Board believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

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, 26 March 2015

*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 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.*