



CHINA E-LEARNING GROUP LIMITED
中國網絡教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08055)

2013 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of China E-Learning Group Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board (the “Board”) of directors (“Directors”) of China E-Learning Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months and three months ended 30 June 2013, together with the comparative unaudited figures of the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	3	30,198	23,264	18,275	12,705
Cost of sales		(8,892)	(5,342)	(5,408)	(3,261)
Gross profit		21,306	17,922	12,867	9,444
Other income	4	37	150	37	97
Selling expenses		(1,153)	(1,565)	(378)	(564)
Administrative expenses		(12,057)	(11,748)	(6,314)	(5,995)
Other expenses		(35)	–	–	–
Profit from operations		8,098	4,636	6,212	2,982
Finance costs	5	(5,578)	(1,657)	(3,239)	(877)
Profit before tax	6	2,520	2,979	2,973	2,105
Income tax	7	–	–	–	–
Profit for the period		2,520	2,979	2,973	2,105
Attributable to:					
Owners of the Company		(8,147)	(7,025)	(2,233)	(3,203)
Non-controlling interests		10,667	10,004	5,206	5,308
		2,520	2,979	2,973	2,105
Loss per share attributable to owners of the Company (HK cents)					
– Basic	9	(0.55)	(0.48)	(0.15)	(0.22)
– Diluted	9	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	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	2,520	2,979	2,973	2,105
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	5,703	3,065	5,964	1,030
Changes in fair value of available-for-sale financial assets	33	(1,024)	–	(637)
Reclassification adjustments for losses on the disposal of available-for-sales financial assets included in profit	35	123	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	8,291	5,143	8,937	2,498
	<hr/>	<hr/>	<hr/>	<hr/>
Attributable to:				
Owners of the Company	(2,376)	(4,861)	3,731	(2,810)
Non-controlling interests	10,667	10,004	5,206	5,308
	<hr/>	<hr/>	<hr/>	<hr/>
	8,291	5,143	8,937	2,498
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2013 <i>HK\$'000</i>	(Audited) 31 December 2012 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Goodwill		68,055	68,055
Property, plant and equipment		2,028	1,630
Available-for-sale financial assets		–	249
		70,083	69,934
Current assets			
Trade and other receivables	10	88,547	79,958
Cash and cash equivalents		22,354	22,309
		110,901	102,267
TOTAL ASSETS		180,984	172,201
Current liabilities			
Trade and other payables	11	24,144	30,950
Financial derivatives		1,476	1,476
Bank overdraft		–	39
Other borrowing	12	24,218	56,737
Convertible notes		51,276	37,814
		101,114	127,016
Non-current liabilities			
Other borrowing	12	53,892	–
Convertible notes		47,820	68,024
		101,712	68,024
TOTAL LIABILITIES		202,826	195,040
NET CURRENT (LIABILITIES) ASSETS		9,787	(24,749)
NET LIABILITIES		(21,842)	(22,839)
CAPITAL AND RESERVE			
Share capital	13	735,939	735,939
Reserves		(761,549)	(762,546)
Non-controlling interests		3,768	3,768
TOTAL EQUITY		(21,842)	(22,839)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) For the six months ended 30 June 2013 <i>HK\$'000</i>	(Unaudited) 2012 <i>HK\$'000</i>
Net cash inflow from operating activities	1,291	26,689
Net cash inflow from investing activities	–	–
Net cash outflow from financing activities	<u>(6,949)</u>	<u>(36,903)</u>
Decrease in cash and cash equivalents	(5,658)	(10,214)
Cash and cash equivalents at the beginning of period	22,309	19,459
Effect of exchange rate changes	<u>5,703</u>	<u>3,065</u>
Cash and cash equivalents at the end of period	<u>22,354</u>	<u>12,311</u>
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	<u>22,354</u>	<u>12,311</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	(Unaudited)									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Convertible notes equity reserve <i>HK\$'000</i>	Available-for- sale financial assets valuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As of 1 January 2012	732,171	171,329	14,494	9,166	8,041	(2,517)	(951,166)	(18,482)	3,768	(14,714)
Loss for the period	-	-	-	-	-	-	(7,025)	(7,025)	10,004	2,979
Other comprehensive loss	-	-	-	3,065	-	(901)	-	2,164	-	2,164
Total comprehensive income/(loss) for the period	-	-	-	3,065	-	(901)	(7,025)	(4,861)	10,004	5,143
Non-controlling interest contribution	-	-	-	-	-	-	-	-	(10,004)	(10,004)
Issue of shares by conversion of convertible notes	1,856	1,893	-	-	(240)	-	-	3,510	-	3,510
Redemption of convertible notes	-	-	-	-	(976)	-	-	(976)	-	(976)
Fair value adjustment of financial asset	-	-	-	-	-	1,847	(1,847)	-	-	-
As of 30 June 2012	734,027	173,222	14,494	12,231	6,825	(1,571)	(960,038)	(20,809)	3,768	(17,041)
As of 1 January 2013	735,939	176,650	14,494	11,150	17,116	(393)	(981,563)	(26,607)	3,768	(22,839)
Loss for the period	-	-	-	-	-	-	(8,147)	(8,147)	10,667	2,520
Other comprehensive income	-	-	-	5,703	-	33	3,615	9,351	-	9,351
Total comprehensive income/(loss) for the period	-	-	-	5,703	-	33	(4,532)	1,204	10,667	11,871
Non-controlling interest contribution	-	-	-	-	-	-	-	-	(10,667)	(10,667)
Issue of shares by conversion of convertible notes	-	-	-	-	-	-	-	-	-	-
Redemption of convertible notes	-	-	-	-	(207)	-	-	(207)	-	(207)
Fair value adjustment of financial assets	-	-	-	-	-	-	-	-	-	-
As of 30 June 2013	735,939	176,650	14,494	16,853	16,909	(360)	(986,095)	(25,610)	3,768	(21,842)

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 principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are derived from the provisions of occupational education, industry certification course, skills training and education consultation services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations (the "standards") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2012. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2012. The adoption of these new and revised standards, amendments and interpretations 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 and ticketing sales.

By business:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of distance learning programs and education consultation	26,706	23,264	14,784	12,705
Ticketing sales	3,492	–	3,492	–
	<u>30,198</u>	<u>23,264</u>	<u>18,276</u>	<u>12,705</u>

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

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2013	2012	2013	2012
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Interest income	32	45	–	45
Sundry income	5	105	–	52
	37	150	–	97

5. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2013	2012	2013	2012
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Interest expenses on convertible notes measured at amortised cost	2,751	864	1,797	84
Interest expenses on short-term loan	2,822	780	1,419	780
Bank charges	5	13	23	13
	5,578	1,657	3,239	877

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2013	2012	2013	2012
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Depreciation of plant and equipment	721	541	404	257
Staff costs (including directors' emoluments)	4,771	4,595	2,432	2,380

7. 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.

8. DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2013 (2012: nil).

9. 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) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited loss for the period for the purpose of basic and diluted loss per share	<u>(8,147)</u>	<u>(7,025)</u>	<u>(2,233)</u>	<u>(3,203)</u>
	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
Number of shares	2013	2012	2013	2012
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,471,878,902</u>	<u>1,467,809,886</u>	<u>1,471,878,902</u>	<u>1,468,054,691</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

No diluted loss per share has been presented for the six months and three months ended 30 June 2013 because the Company's outstanding options and convertible loan notes outstanding during the six months and three months ended 30 June 2013 had an anti-dilutive impact.

10. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2013 <i>HK\$'000</i>	(Audited) 31 December 2012 <i>HK\$'000</i>
Trade receivables	–	1,439
Less: impairment loss	–	(1,439)
	<u>–</u>	<u>–</u>
Deposits and other receivables	82,535	106,088
Less: impairment loss	–	(33,450)
Prepayments and deposits	6,012	7,320
	<u>88,547</u>	<u>79,958</u>

The aging analysis of trade receivables net of provisions for impairment at the balance sheet date is as follows:

	(Unaudited) 30 June 2013 <i>HK\$'000</i>	(Audited) 31 December 2012 <i>HK\$'000</i>
Within 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	1,486	1,439
	<u>1,486</u>	<u>1,439</u>

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

11. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2013 <i>HK\$'000</i>	(Audited) 31 December 2012 <i>HK\$'000</i>
Trade payable	14	14
Other payables	15,205	3,843
Receipts in advance	4,596	20,057
Accrued charges	4,328	7,036
	<u>24,143</u>	<u>30,950</u>

The aging analysis of trade payable as at the balance sheet date is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Within 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	14	14
	<u>14</u>	<u>14</u>
	<u>14</u>	<u>14</u>

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

12. OTHER LOAN

On 9 May 2012, the Company as borrower entered into the promissory note with Mr. Yang Dongjun (being a substantial shareholder of the Company) (“Mr. Yang”) as lender, pursuant to which Mr. Yang lent an unsecured loan in the principal sum of HK\$47,422,000 to the Company. The loan bears an interest at the rate of 12% per annum and should have been repayable with all interest accrued on 11 May 2013. It was negotiated to extend for a further two years on 10 May 2013. The loan has been applied by the Company for its redemption of the convertible notes, which were issued by the Company pursuant to a subscription agreement dated 28 April 2011, at maturity on 11 May 2012. In the opinion of the directors of the Company, the fair value of other loan approximates to its carrying amount.

13. SHARE CAPITAL

	Number of	Share capital
	shares	HK\$'000
Ordinary share of HK\$0.5 each		
Authorised		
At 1 January 2013	10,000,000,000	5,000,000
At 30 June 2013	<u>10,000,000,000</u>	<u>5,000,000</u>
Issued and fully paid		
At 1 January 2013	1,471,878,902	735,939
Issue of shares by conversion of convertible notes	–	–
At 30 June 2013	<u>1,471,878,902</u>	<u>735,939</u>

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2013 (31 December 2012: Nil).

15. COMMITMENTS

At 30 June 2013, the Group had the following commitments in respect of operating leases of rented premises and office equipment:

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Within one year	1,963	2,772
In second to fifth years inclusive	830	1,587
Over five years	—	—
	<hr/>	<hr/>
	2,793	4,359
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's turnover in the first half of the year was 29.8% more than the same period last year, of which the medical education core business has contributed 14.7% to the increase, and the new ticketing business in mainland China was consolidated for the first time with an approximately HK\$3,492,000.

The businesses of Everjoy Technology Development Corporation and Everjoy International Media Corporation have encountered severe operating environment in 2012 due to unforeseeable business risk. The businesses have recovered gradually in early 2013, they started to record the revenue of HK\$3,492,000 in the second quarter of 2013.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group recorded revenue of approximately HK\$30,198,000 (2012: HK\$23,264,000) representing tuition fee revenue, sales of educational products and commission received from the ticketing sales. Gross profit was approximately HK\$21,306,000 (2012: HK\$17,922,000), representing a gross profit margin of 71% for the period under review.

During the period, cost of sales was approximately HK\$8,892,000 (2012: HK\$5,342,000) representing the direct wages and overheads incurred in the distance learning courses and ticketing sales.

Other income was approximately HK\$37,000 (2012: HK\$150,000) representing a sundry income of approximately HK\$32,000 (2012: HK\$105,000), an interest income of approximately HK\$5,000 (2012: HK\$45,000).

Selling expenses was approximately HK\$1,153,000 (2012: HK\$1,565,000) representing the overheads on promotional and advertising activities.

Administrative expenses for the period under review were approximately HK\$12,057,000 (2012: HK\$11,748,000), of which staff related costs were approximately HK\$4,771,000 (2012: HK\$4,595,000). Other major expenses include rental, which was approximately HK\$1,596,000 (2012: HK\$1,394,000); consultancy fees, which were approximately HK\$1,540,000 (2012: HK\$1,017,000); and depreciation charges, which were approximately HK\$721,000 (2012: HK\$541,000) during the period under review.

Other expenses for the period were approximately HK\$35,000 (2012: HK\$123,000) representing the realised loss on investment on financial assets being disposed.

Finance costs during the period were approximately HK\$5,578,000 (2012: HK\$1,657,000). The accretion of interest on the liability portion of convertible notes was approximately HK\$2,751,000 (2011: HK\$864,000). The interest expenses accrued on a term loan were approximately HK\$2,822,000 (2012: HK\$780,000).

As a result, the consolidated profit for the period was approximately HK\$2,520,000 (2012: HK\$2,979,000).

OUTLOOK

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

As the acquisition of the entire share capital of Everjoy Technology Development Corporation and Everjoy International Media Corporation was completed in December 2012, it did not make significant contribution to the performance in 2012 due to severe operating environment. The businesses started to recover gradually in early 2013 and record the revenue in the second quarter of 2013.

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

The Board and the management will, as always, dedicate their best efforts and strive for the best interests of the shareholders of the Group and the Company.

Liquidity and financial resources

As at 30 June 2013, the Group had current assets of approximately HK\$111 million including cash and bank balances of approximately HK\$22 million, and the Group did not have any bank borrowings. Total assets were approximately HK\$181 million and total liabilities were approximately HK\$203 million, representing a gearing ratio (expressed as total liabilities to total assets) of approximately 1.12, as compared with approximately 1.13 at the beginning of the year 2013.

Share capital

As at 1 January 2013, the authorised share capital of the Company was HK\$5,000,000,000 divided into 10,000,000,000 shares of HK\$0.50 each and the issued share capital of the Company was approximately HK\$735,939,451 divided into 1,471,878,902 shares of HK\$0.50 each.

Capital reorganisation

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

Provision of Loan

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

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

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

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

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

Convertible Notes

Convertible Notes 2009

Pursuant to the acquisition of 100% interest in IIN Medical (BVI) Group, the Company issued convertible notes (“Convertible Notes 2009”) as partial settlement of the acquisition consideration on 23 April 2009. The aggregate principal of the Convertible Notes 2009 amounted to HK\$32,770,000. The Convertible Notes 2009 are interest free, with a principal amount of approximately HK\$20,150,000 maturing in 48 months from the date of issue and the remaining principal amount of approximately HK\$12,620,000 maturing in 24 months from the date of issue and convertible into ordinary shares at conversion price of HK\$1.01 per share, subject to adjustments.

On 15 July 2010, an aggregate principal of the Convertible Notes 2009 amounted to HK\$6,780,000 were issued as the final payment for the acquisition of the entire issued share capital of IIN Medical (BVI) Group. The Convertible Notes 2009 are interest free, with a principle amount of HK\$4,154,106 maturing in 48 months from the date of issue and the remaining principal amount of HK\$2,625,894 maturing in 24 months from the date of issue and convertible into ordinary shares at conversion price of HK\$1.01 per share, subject to adjustments.

As at both 1 January 2013 and 30 June 2013, the aggregate outstanding principal amount of the Convertible Notes 2009 was HK\$12,221 (2012: HK\$10,162,155). The exercise in full of conversion rights vested with the Company’s outstanding Convertible Notes 2009 would result in the issue and allotment of 12,100 new shares in the Company.

As at the date of this announcement, the Convertible Notes 2009 were fully redeemed.

Convertible Notes 2011

The Group had reached several agreements with the holders of the Convertible Notes 2008 which became mature on 28 February 2011, and a promissory note for approximately HK\$50 million for a settlement. In order to be able to raise sufficient fund for the settlement, the Group issued two tranches of convertible notes (“Convertible Notes 2011 A”) on 9 May 2011 and (“Convertible Notes 2011 B”) on 11 May 2011.

The aggregate principal of Convertible Notes 2011 A amounted to HK\$89,999,934, bearing an interest of 1% per annum, maturing in 36 months from the date of issue, and convertible into ordinary shares at conversion price of HK\$0.50 per share, subject to adjustments.

The aggregate principal of Convertible Notes 2011 B amounted to HK\$36,200,000, bearing an interest of 1% per annum, maturing in 6 months from the date of issue, and convertible into ordinary shares at conversion price of HK\$0.50 per share, subject to adjustments. On 11 November 2011, the maturity date was successfully postponed for another 6 months to 11 May 2012. Upon maturity, the principal amount together with the interests due were fully settled by a promissory note.

As at both 1 January 2013 and 30 June 2013, the outstanding principal amount of the Convertible Notes 2011 A was HK\$29,999,934. The exercise in full of the vested conversion rights would result in the issue and allotment of 59,999,868 new shares of the Company.

On 21 July 2011, the Group entered into a subscription agreement with a group of independent subscribers for the issuance of some convertible notes in the aggregate principal amount of HK\$42,000,000, bearing an interest rate of 3% per annum, maturing in 12 months from the date of issue, and convertible into ordinary shares at conversion price of HK\$0.50 per share, subject to adjustments. Subsequently, the Group issued two tranches of convertible notes (“Convertible Notes 2011 C”) on 25 August 2011 for the principal amount of HK\$19,500,000 and (“Convertible Notes 2011 D”) on 14 September 2011 for the principal amount of HK\$22,500,000. Of which, tranche C was fully converted in 2011. On 10 September 2012, the maturity date of the tranche D was postponed for another 6 months to 7 March 2013. On 7 March 2013, the maturity date of the tranche D was further postponed for 12 months to 6 March 2014.

As at both 1 January 2013 and 30 June 2013, the outstanding principal amount of the Convertible Notes 2011 D was HK\$22,500,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 45,000,000 new shares of the Company. A noteholder obtained a court order for the principal amount of HK\$9,700,000 forcing the payment of debt on 3 January 2013. The Company has complied in full.

Convertible Notes 2012

Pursuant to the acquisition of 100% interest in Everjoy Technology Development Corporation, the Company issued convertible notes (“ETCN-1, and ETCN-2”) as partial settlement of the acquisition consideration on 20 December 2012. The aggregate principal of the ETCN-1 and ETCN-2 amounted to HK\$9,611,906, bearing an interest of 1% per annum, maturing in 36 months from the date of issue, and convertible into ordinary shares at conversion price of HK\$0.50 per share, subject to adjustments.

As at both 1 January 2013 and 30 June 2013, the aggregate outstanding principal amount of the ETCN-1 and ETCN-2 was HK\$9,611,906. The exercise in full of the vested conversion rights would result in the issue and allotment of 19,223,812 new shares of the Company.

Pursuant to the acquisition of 100% interest in Everjoy International Media Corporation, the Company issued convertible notes (“EICN-1, EICN-2 and EICN-3”) as partial settlement of the acquisition consideration on 20 December 2012. The aggregate principal of the EICN-1, EICN-2 and EICN-3 amounted to HK\$58,235,956, bearing an interest of 1% per annum, maturing in 36 months from the date of issue, and convertible into ordinary shares at conversion price of HK\$0.50 per share, subject to adjustments.

As at both 31 January 2013 and 30 June 2013, the aggregate outstanding principal amount of the EICN-1, EICN-2 and EICN-3 was HK\$58,235,956. The exercise in full of the vested conversion rights would result in the issue and allotment of 116,471,912 new shares of the Company.

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

Significant investments

During the six months ended 30 June 2013, no significant investments were made by the Group.

Charges on the Group's assets

There were no material charges on the Group's assets as at 30 June 2013.

Employees Information

As at 30 June 2013, the Group had a total of 43 employees (2012: 43 employees) (including executive directors). During the period under review, the total staff costs amount to approximately HK\$4,771,000 (2012: approximately HK\$4,595,000), representing an increase of approximately 3.8% 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 2013, no share options were granted to employees of the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS

On 18 January 2013, an Advertisements Agency Agreement was signed between Xinhua Gallery and the Company in relation to the cooperation for advertising production business and solicitation of advertisements broadcast business on the LED Screen for a period of three years.

On 7 February 2013, a Strategic Cooperation Agreement was signed between CybEye, Inc. and the Company in relation to the cooperation for the technical development of mobile image social network software and the provision of network intelligence platforms based on image networks. The cooperation term of the Strategic Cooperation Agreement is one year.

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

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2013, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Directors	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary shares	Share options	Total	
Chen Hong (<i>Director</i>)	Beneficial owner	79,510,480	6,377,306	85,887,786	5.84%
Wang Hui (<i>Chief Executive</i>)	Beneficial owner	–	6,377,306	6,377,306	0.43%
Wei Jianya (<i>Director</i>)	Beneficial owner	–	2,349,534	2,349,534	0.16%
Li Xiangjun (<i>Director</i>)	Beneficial owner	313,590	6,712,954	7,026,544	0.48%

Save as disclosed above, as at 30 June 2013, none of the other Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of Shareholder	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Yang Dong Jun	Beneficial owner	207,554,896	14.10%
Atlantis Capital Holdings Limited	Investment manager	88,002,000	5.98%
Liu Yang (<i>note 1</i>)	Interest of a controlled corporation	88,002,000	5.98%
Lee Chi Kong (<i>note 2</i>)	Beneficial owner	116,671,912	7.93%

Notes:

1. According to the disclosure of interests notice filed, Ms. Liu Yang is deemed to be in control of Atlantis Capital Holdings Limited, Ms. Liu Yang is deemed to be interested in the 88,002,000 shares of the Company.
2. Interests in 116,471,912 shares or underlying shares comprise interest representing the conversion rights attached to the convertible notes in the principal amount of HK\$58,235,956.

Save as disclosed above, as at 30 June 2013, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2013, the committee comprised three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Cheung Wai Tak and Ms. Li Bailing.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 23 March 2005 with major functions of (i) making recommendations to the Board on the Company's policies and structure for the remuneration of Directors and senior management of the Group; and (ii) determining the remuneration packages of all Directors and senior management of the Group; and (iii) reviewing and approving the performance-based remuneration. The remuneration committee of the Company is chaired by Mr. Chen Hong. Other members include Mr. Cheung Wai Tak and Ms. Li Bailing. The majority of the members of the remuneration committee are independent non-executive directors.

NOMINATION COMMITTEE

The nomination committee of the Company was established on 23 March 2012. The function of the nomination committee is to identify individual suitably qualified to become director and make recommendation to the Board on the appointment, re-appointment and re-designation of directors. The nomination committee of the Company is chaired by Mr. Chen Hong. Other members include Mr. Cheung Wai Tak and Dr. Huang Chung Hsing. The majority of the members of the nomination committee are independent non-executive directors.

By order of the Board
China E-Learning Group Limited
Chen Hong
Chairman

Hong Kong, 13 August 2013

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Hong (Chairman) and Ms. Wei Jianya; one non-executive Director, namely Mr. Li Xiangjun; three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Cheung Wai Tak and Ms. Li Bailing.