



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)

**2015 THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

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

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

RESULTS

The board (the “Board”) of directors (“Directors”) of China E-Learning Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statement of the Company and its subsidiaries (collectively the “Group”) for the nine months and three months ended 30 September 2015, together with the comparative unaudited figures of the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | (Unaudited) | | (Unaudited) | |
|---|-------------|---------------------------|-----------------|---------------------------|-----------------|
| | | Nine months | | Three months | |
| | | ended 30 September | | ended 30 September | |
| | | 2015 | 2014 | 2015 | 2014 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 3 | 32,160 | 33,716 | 6,246 | 5,489 |
| Cost of sales | | (13,576) | (9,506) | (2,416) | (915) |
| Gross profit | | 18,584 | 24,210 | 3,830 | 4,574 |
| Other income and expenses | 4 | (7,569) | 3,799 | (9,895) | 3,759 |
| Selling expenses | | – | – | – | – |
| Administrative expenses | | (36,546) | (17,782) | (24,338) | (6,296) |
| Other expenses | | – | – | – | – |
| Profit/(loss) from operations | | (25,531) | 10,227 | (30,403) | (2,037) |
| Finance costs | 5 | (1,158) | (8,673) | (404) | (4,756) |
| Profit/(loss) before tax | | (26,689) | 1,554 | (30,807) | (2,719) |
| Income tax credit | 6 | – | – | – | – |
| Profit/(loss) for the period | | (26,689) | 1,554 | (30,807) | (2,719) |
| Attributable to: | | | | | |
| Owners of the Company | | (36,437) | (8,633) | (32,895) | (4,503) |
| Non-controlling interests | | 9,748 | 10,187 | 2,088 | 1,784 |
| | | (26,689) | 1,554 | (30,807) | (2,719) |
| Earnings/(loss) per share attributable to owners of the Company (HK cents) | | | | | |
| – Basic | 7 | (1.17) | (0.46) cents | (1.10) | (0.20) cents |
| – Diluted | 7 | N/A | N/A | N/A | N/A |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | (Unaudited) | | (Unaudited) | |
|--|--------------------|-----------------|--------------------|-----------------|
| | Nine months | | Three months | |
| | ended 30 September | | ended 30 September | |
| | 2015 | 2014 | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit/(loss) for the period | (26,689) | 1,554 | (30,807) | (2,719) |
| Other comprehensive income: | | | | |
| Exchange difference arising on translation of foreign operations | (771) | (232) | (555) | 519 |
| Total comprehensive income/ (loss) for the period | (27,460) | 1,322 | (31,362) | (2,200) |
| Attributable to: | | | | |
| Owners of the Company | (37,208) | (8,865) | (33,450) | (3,984) |
| Non-controlling interests | 9,748 | 10,187 | 2,088 | 1,784 |
| | (27,460) | 1,322 | (31,362) | (2,200) |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The Group is principally engaged in the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2015 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 2014. 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 2014. The adoption of these new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

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

3. TURNOVER

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

4. OTHER INCOME AND EXPENSES

| | (Unaudited) | | (Unaudited) | |
|---|---------------------------|----------|---------------------------|----------|
| | Nine months | | Three months | |
| | ended 30 September | | ended 30 September | |
| | 2015 | 2014 | 2015 | 2014 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest income | 62 | 1,844 | 15 | 1,823 |
| Sundry income | 217 | 19 | 96 | – |
| Compensation Fee | – | 1,936 | – | 1,936 |
| Gain on sale of financial asset | 1,946 | – | – | – |
| Fair value loss on financial asset at fair value through profit and loss | (9,794) | – | (10,006) | – |
| | (7,569) | 3,799 | (9,895) | 3,759 |

5. FINANCE COSTS

| | (Unaudited) | | (Unaudited) | |
|---|---------------------------|----------|---------------------------|----------|
| | Nine months | | Three months | |
| | ended 30 September | | ended 30 September | |
| | 2015 | 2014 | 2015 | 2014 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest expenses on convertible notes measured at amortised cost | 482 | 4,527 | 165 | 1,716 |
| Interest expenses on term loan | – | 4,146 | – | 3,040 |
| Other finance expenses | 676 | – | 239 | – |
| | 1,158 | 8,673 | 404 | 4,756 |

6. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group did not generate any taxable profits in Hong Kong for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. No provision for PRC enterprise income tax has been made as the subsidiary that generated income for the period is a tax-exempted entity in the PRC.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

| | (Unaudited) Nine months ended 30 September | | (Unaudited) Three months ended 30 September | |
|---|---|-----------------------------|--|-----------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Unaudited loss for the period for the purpose of basic and diluted loss per share (HK\$'000) | <u>(36,437)</u> | <u>(8,633)</u> | <u>(32,895)</u> | <u>(4,503)</u> |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>3,114,744,397</u> | <u>1,863,558,990</u> | <u>2,996,323,544</u> | <u>2,228,263,078</u> |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

No diluted loss per share has been presented for each of the nine months and three months ended 30 September 2015 and 30 September 2014 because the Company's outstanding share options and convertible notes during the nine months and three months ended 30 September 2015 have an anti-dilutive impact.

8. DIVIDEND

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2015. (2014: nil).

9. MOVEMENT OF RESERVES (UNAUDITED)

| | Share premium <i>HK\$'000</i> | Share-based payment reserve <i>HK\$'000</i> | Exchange fluctuation reserve <i>HK\$'000</i> | Convertible notes equity reserve <i>HK\$'000</i> | PRC staff awards fund <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|----------------------------------|--|---|---|--|---------------------------------------|--------------------------|
| As of 1 January 2014 | – | 19,199 | 11,575 | 16,284 | 2,396 | (310,480) | (261,026) |
| Loss for the period | – | – | – | – | – | (8,633) | (8,633) |
| Other comprehensive income | – | – | (232) | – | – | – | (232) |
| Total comprehensive Income/(loss) for the period | – | – | (232) | – | – | (4,410) | (5,025) |
| Issue of convertible note | – | – | – | 4,318 | – | – | 4,318 |
| Issue of shares by conversion of Convertible notes | 20,604 | – | – | (1,844) | – | – | 18,760 |
| Exercise of share options | 2,040 | – | – | – | – | – | 2,040 |
| Redemption of convertible notes | – | – | – | (975) | – | – | (975) |
| As of 30 September 2014 | <u>22,644</u> | <u>19,199</u> | <u>11,343</u> | <u>17,783</u> | <u>2,396</u> | <u>(319,113)</u> | <u>(234,144)</u> |
| As of 1 January 2015 | <u>310,567</u> | <u>14,420</u> | <u>10,896</u> | <u>6,144</u> | <u>4,442</u> | <u>(361,353)</u> | <u>(14,884)</u> |
| Loss for the period | – | – | – | – | – | (36,437) | (36,437) |
| Other comprehensive income | – | – | (771) | – | – | – | (771) |
| Total comprehensive income/(loss) for the period | – | – | (771) | – | – | (36,437) | (37,208) |
| Issue of convertible note | – | – | – | – | – | – | – |
| Issue of shares by conversion of convertible notes | – | – | – | – | – | – | – |
| Issue of employee share option | – | 16,537 | – | – | – | – | 16,537 |
| Exercise of share options | 1,229 | (413) | – | – | – | – | 816 |
| Share repurchases | (82,924) | – | – | – | – | – | (82,924) |
| Redemption of convertible notes | – | – | – | – | – | – | – |
| As of 30 September 2015 | <u>228,872</u> | <u>30,544</u> | <u>10,125</u> | <u>6,144</u> | <u>4,442</u> | <u>(397,790)</u> | <u>(117,663)</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's turnover for the nine months' period was 4.62% less than the same period last year. The medical education core business remains stable.

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

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

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

FINANCIAL REVIEW

For the nine months ended 30 September 2015, the Group recorded revenue of approximately HK\$32,160,000 (2014: HK\$33,716,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$18,584,000 (2014: HK\$24,210,000), representing a gross profit margin of 58% for the period under review.

During the period, cost of sales was approximately HK\$13,576,000 (2014: HK\$9,506,000) representing the direct wages and overheads incurred in the distance learning courses.

During the period, other income and expenses recorded an expense of approximately HK\$7,569,000 (2014: Income of approximately HK\$3,799,000) representing an interest income of approximately HK\$62,000 (2014: HK\$1,844,000), a sundry income of approximately HK\$217,000 (2014: HK\$19,000), a gain on sale of financial assets of approximately HK\$1,946,000 (2014: nil) and a fair value loss on financial asset at fair value through profit and loss of approximately HK\$9,794,000 (2014: nil).

Administrative expenses for the period under review were approximately HK\$36,546,000 (2014: HK\$17,782,000), of which staff related costs were approximately HK\$7,608,000 (2014: HK\$7,662,000). Share based payment expense amounted to approximately HK\$16,537,000 was recognized during the period as a total of 314,000,000 share options were granted on 9 September 2015. Other major expenses include rental, which was approximately HK\$1,312,000 (2014: HK\$1,955,000); consultancy fees, which were approximately HK\$3,641,000 (2014: HK\$2,797,000); and depreciation charges, which were approximately HK\$1,653,000 (2014: HK\$1,346,000) during the period under review.

Finance costs during the period were approximately HK\$1,158,000 (2014: HK\$8,673,000), and the consolidated loss for the period was approximately HK\$26,689,000 (2014: profit of HK\$1,554,000).

Share capital

As at 1 January 2015, the authorised share capital of the Company was HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$321,427,119 divided into 3,214,271,196 shares of HK\$0.10 each.

On 22 January 2015, the Company repurchased on the Stock Exchange a total of 21,872,000 shares at a total consideration of approximately HK\$10,540,000. On 23 January 2015, the Company repurchased on the Stock Exchange a total of 17,568,000 shares at a total consideration of approximately HK\$8,811,000. A total of 39,440,000 shares have been cancelled on 9 February 2015.

On 27 January 2015, 12,000,000 shares of HK\$0.1 each of the Company were issued upon exercise of share options.

On 30 March 2015, the Company repurchased on the Stock Exchange a total of 2,664,000 shares at a total consideration of approximately HK\$1,412,000. On 31 March 2015, the Company repurchased on the Stock Exchange a total of 31,520,000 shares at a total consideration of approximately HK\$16,706,000. On 1 April 2015, the Company repurchased on the Stock Exchange a total of 4,136,000 shares at a total consideration of approximately HK\$2,166,000. On 2 April 2015, the Company repurchased on the Stock Exchange a total of 1,344,000 shares at a total consideration of approximately HK\$712,000. A total of 39,664,000 shares have been cancelled on 14 April 2015.

On 5 June 2015, the Company repurchased on the Stock Exchange a total of 4,992,000 shares at a total consideration of approximately HK\$2,426,000. On 8 June 2015, the Company repurchased on the Stock Exchange a total of 11,504,000 shares at a total consideration of approximately HK\$5,654,000. A total of 16,496,000 shares have been cancelled on 16 June 2015.

On 9 June 2015, the Company repurchased on the Stock Exchange a total of 5,976,000 shares at a total consideration of approximately HK\$2,878,000. On 10 June 2015, the Company repurchased on the Stock Exchange a total of 1,344,000 shares at a total consideration of approximately HK\$632,000. On 11 June 2015, the Company repurchased on the Stock Exchange a total of 1,000,000 shares at a total consideration of approximately HK\$475,000. A total of 8,320,000 shares have been cancelled on 25 June 2015.

On 18 June 2015, the Company repurchased on the Stock Exchange a total of 5,504,000 shares at a total consideration of approximately HK\$2,587,000. On 19 June 2015, the Company repurchased on the Stock Exchange a total of 7,096,000 shares at a total consideration of approximately HK\$3,286,000. On 22 June 2015, the Company repurchased on the Stock Exchange a total of 6,904,000 shares at a total consideration of approximately HK\$3,168,000. On 23 June 2015, the Company repurchased on the Stock Exchange a total of 9,120,000 shares at a total consideration of approximately HK\$4,108,000. On 29 June 2015, the Company repurchased on the Stock Exchange a total of 12,968,000 shares at a total consideration of approximately HK\$5,217,000. On 2 July 2015, the Company repurchased on the Stock Exchange a total of 1,400,000 shares at a total consideration of approximately HK\$542,000. On 3 July 2015, the Company repurchased on the Stock Exchange a total of 5,864,000 shares at a total consideration of approximately HK\$2,147,000. On 6 July 2015, the Company repurchased on the Stock Exchange a total of 34,672,000 shares at a total consideration of approximately HK\$11,432,000. On 7 July 2015, the Company repurchased on the Stock Exchange a total of 27,440,000 shares at a total consideration of approximately HK\$8,124,000. On 8 July 2015, the Company repurchased on the Stock Exchange a total of 25,520,000 shares at a total consideration of approximately HK\$6,636,000. A total of 136,488,000 shares have been cancelled on 16 July 2015.

On 20 August 2015, the Company repurchased on the Stock Exchange a total of 704,000 shares at a total consideration of approximately HK\$235,000. On 21 August 2015, the Company repurchased on the Stock Exchange a total of 2,384,000 shares at a total consideration of approximately HK\$736,000. On 24 August 2015, the Company repurchased on the Stock Exchange a total of 20,096,000 shares at a total consideration of approximately HK\$5,767,000. On 26 August 2015, the Company repurchased on the Stock Exchange a total of 17,000,000 shares at a total consideration of approximately HK\$4,570,000. A total of 40,184,000 shares have been cancelled on 4 September 2015.

On 25 September 2015, the Company repurchased on the Stock Exchange a total of 504,000 shares at a total consideration of approximately HK\$128,000, which have been cancelled on 30 October 2015.

As at 30 September 2015, the authorized share capital of the Company was HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$294,567,919 divided into 2,945,679,196 shares of HK\$0.10 each.

Convertible Notes

Convertible Notes 2011

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

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

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

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

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

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

On 13 June 2014, the conversion rights attaching to the CN2016-4 and CN2016-5 have been exercised in full and hence 95,076,399 shares have been issued. Hence, Convertible Notes 2016 (CN2016-1, CN2016-2, CN2016-3, Cn2016-4 and CN2016-5) were fully converted.

On 21 July 2011, the Group entered into a subscription agreement with a group of independent subscribers for the issuance of some convertible notes in the aggregate principal amount of HK\$42,000,000, bearing an interest rate of 3% per annum, maturing in 12 months from the date of issue, and convertible into ordinary shares at conversion price of HK\$0.50 per share, subject to adjustments. Subsequently, the Group issued two tranches of convertible notes (“Convertible Notes 2011 C”) on 25 August 2011 for the principal amount of HK\$19,500,000 and (“Convertible Notes 2011 D”) on 14 September 2011 for the principal amount of HK\$22,500,000. Of which, tranche C was fully Converted in 2011. On 10 September 2012, the maturity date of the tranche D was postponed for another 6 months to 7 March 2013. On 7 March 2013, the maturity date of the tranche D was further postponed for 12 months to 6 March 2014. As at 1 January 2014, the outstanding principal amount of the Convertible Notes 2011 D was HK\$12,800,000.

On 6 March 2014, the Company has redeemed one of the Convertible Notes 2011 D with the principal amount of HK\$10,000,000 in accordance with notice from the holder. The Company is contacting the holder of the Convertible Notes 2011 D with the principal amount of HK\$2,800,000 in order to settle the convertible notes. As at 30 September 2015, the Company has not received any reply or notice from the holder and the Company has the funds available for settlement.

Convertible Notes 2012

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

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

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.

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

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

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

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

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

On 27 October 2014, the Stock Exchange granted its approval for the Amendment of Terms and the listing of the conversion shares to be issued as a result of the exercise of the conversion rights attaching to ETCN and EICN as amended by the Deeds of Amendment and therefore all the conditions precedent for the Amendment of Terms under the Deeds of Amendment have been fulfilled and the Amendment of Terms has become effective on 27 October 2014.

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

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

As at 1 January 2015 and 30 September 2015, 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.

On 20 June 2014, the conversion rights attaching to CN2014-1 and CN2014-2 with the principal amount of HK\$11,000,000 have been exercised in full and hence 110,000,000 shares have been issued. Hence, Convertible Notes 2014 were fully converted as at 30 September 2014.

Convertible Notes 2016A

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

The Convertible Notes, which are mature after 24 months of the issue date, shall carry interest at the rate of 1% per annum payable in arrears yearly on the 31st day of December each year or, if earlier, upon full conversion of the Convertible Notes. The Conversion Shares, upon issue, shall rank pari passu in all respects with the shares then in issue. Completion of the issue of the Convertible Notes in the aggregate principal amount of HK\$40,775,000 took place on 8 July 2014.

On 25 July 2014, the conversion rights attaching to the Convertible Notes 2016A in the principal amount of HK\$10,725,000 have been exercised and hence 75,000,000 shares have been issued. On 18 August 2014, the conversion rights attaching to the Convertible Notes 2016A in the principal amount of HK\$5,005,000 have been exercised and hence 35,000,000 shares have been issued.

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

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. As the exchange rate between Hong Kong dollars and Renminbi is relatively stable and the expenditure in the People's Republic of China ("PRC") was covered by the sales in the PRC, the management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 30 September 2015, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

Significant investments

During the nine months ended 30 September 2015, no significant investments were made by the Group.

Charges on the Group's assets

There were no material charges on the Group's assets as at 30 September 2015.

Share Option Scheme

On 9 September 2015, the Company granted 314,000,000 share options (the "Options") to the individuals (the "Grantees"), subject to acceptance of the Grantees, under the Company's share option scheme adopted on 23 May 2011 (the "Share Option Scheme"). The Options shall entitle the Grantees to subscribe for a total of 314,000,000 new ordinary shares of HK\$0.10 each in the share capital of the Company. Of the total of 314,000,000 Options granted, 60,000,000 Options were granted to the executive directors and chief executive officer of the Company, the grant of Options to the executive directors and chief executive officer of the Company has been approved by the independent non-executive directors of the Company.

The exercise price of each Options is HK\$0.28, which represents the highest of (i) the closing price of HK\$0.28 per Share on 9 September 2015, being the date of grant (the “Date of Grant”) of the Options; (ii) the average of the closing prices of HK\$0.253 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value HK\$0.10 of each Share. Details of which were set out in the announcement of the Company dated 9 September 2015.

DIRECTORS’ INTERESTS IN SECURITIES

As at 30 September 2015, 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 | Ordinary Share | Number of shares or underlying shares held | | Percentage of issued share capital |
|--|------------------|----------------|--|------------|------------------------------------|
| | | | Shares | Total | |
| Yuan Wei (<i>Director</i>) | Beneficial owner | 20,000,000 | 20,000,000 | 40,000,000 | 1.36% |
| Wang Hui (<i>Chief Executive</i>) | Beneficial owner | – | 26,377,306 | 26,377,306 | 0.90% |
| Yang Jilin (<i>Director</i>) | Beneficial owner | – | 20,000,000 | 20,000,000 | 0.68% |
| Li Xiangjun (<i>Director</i>) | Beneficial owner | 313,590 | 6,712,954 | 7,026,544 | 0.24% |

Save as disclosed above, as at 30 September 2015, none of the other Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

| Name of Shareholder | Capacity | Number of shares or underlying shares held | Percentage of issued share capital |
|------------------------------------|--------------------------------------|---|---|
| Magic Stone Fund (China) | Investment manager | 211,552,000 | 7.18% |
| Yang Dong Jun (<i>note 1, 2</i>) | Beneficial owner | 12,720,000 | 0.43% |
| | Interest of a controlled corporation | 211,552,000 | 7.18% |
| Atlantis Capital Holdings Limited | Investment manager | 190,000,000 | 6.45% |
| Liu Yang (<i>note 3</i>) | Interest of a controlled corporation | 190,000,000 | 6.45% |

- Notes:*
1. Mr. Yang Dong Jun owned 80.25% of Magic Stone Fund (China), a company incorporated in the Cayman Islands. Accordingly, Mr. Yang is deemed to be interested in 211,552,000 shares held by Magic Stone Fund (China).
 2. Mr. Yang Dong Jun is the father of Mr. Yang Jilin, an executive director of the Company.
 3. According to the disclosure of interests notice filed, Ms. Liu Yang is deemed to be in control of Atlantis Capital Holdings Limited, Ms. Liu Yang is deemed to be interested in the 190,000,000 shares of the Company.

Save as disclosed above, as at 30 September 2015, 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

During the period under review, the Company repurchased a total of 281,096,000 ordinary shares of the Company at an aggregate consideration of approximately HK\$111,095,000 (excluding expenses) on the Stock Exchange. Details of the repurchase of such ordinary shares are as follows:

| Month of repurchase | Number of ordinary shares repurchased | Highest price | Lowest price | Aggregate consideration |
|---------------------|---------------------------------------|---------------|--------------|------------------------------|
| | | per share | per share | (excluding transaction cost) |
| | | HK\$ | HK\$ | HK\$'000 |
| January | 39,440,000 | 0.52 | 0.42 | 19,351 |
| March | 34,184,000 | 0.53 | 0.53 | 18,118 |
| April | 5,480,000 | 0.53 | 0.52 | 2,878 |
| June | 66,408,000 | 0.495 | 0.4 | 30,431 |
| July | 94,896,000 | 0.4 | 0.24 | 28,881 |
| August | 40,184,000 | 0.345 | 0.265 | 11,308 |
| September | 504,000 | 0.26 | 0.25 | 128 |
| Total | <u>281,096,000</u> | | | <u>111,095</u> |

A total of 280,592,000 repurchased ordinary shares were cancelled during the period under review. The remaining 504,000 repurchased ordinary shares were cancelled on 30 October 2015.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 September 2015, the committee comprised three independent non- executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2015 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

Hong Kong, 12 November 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, namely Mr. Li Xiangjun; and three independent non-executive directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting.