



**CHINA E-LEARNING GROUP LIMITED**

**中國網絡教育集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 08055)

**2016 THIRD QUARTERLY RESULTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**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 2016, together with the comparative unaudited figures of the corresponding period in 2015, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|  |      | (Unaudited)<br>Nine months<br>ended 30 September |                        | (Unaudited)<br>Three months<br>ended 30 September |                        |
|--|------|--|------------------------|---|------------------------|
|  |      | 2016   | 2015                   | 2016  | 2015                   |
|  | Note | HK\$'000   | HK\$'000               | HK\$'000  | HK\$'000               |
| <b>Turnover</b>  | 3    | <b>38,188</b>                                    | 32,160                 | <b>8,020</b>                                      | 6,246                  |
| Cost of sales  |      | <u>(16,588)</u>                                  | <u>(13,576)</u>        | <u>(3,366)</u>                                    | <u>(2,416)</u>         |
| Gross profit   |      | <b>21,600</b>                                    | 18,584                 | <b>4,654</b>                                      | 3,830                  |
| Other income   | 4    | <b>65</b>  | (7,569)                | <b>28</b>   | (9,895)                |
| Other expenses   | 5    | <b>(22,364)</b>                                  | –                      | <b>(3,908)</b>                                    | –                      |
| Administrative expenses  |      | <u>(29,325)</u>                                  | <u>(36,546)</u>        | <u>(13,043)</u>                                   | <u>(24,338)</u>        |
| <b>Loss from operations</b>  |      | <b>(30,024)</b>                                  | (25,531)               | <b>(12,269)</b>                                   | (30,403)               |
| Finance costs  | 6    | <u>(421)</u>                                     | <u>(1,158)</u>         | <u>(148)</u>                                      | <u>(404)</u>           |
| <b>Loss before tax</b>   |      | <b>(30,445)</b>                                  | (26,689)               | <b>(12,417)</b>                                   | (30,807)               |
| Income tax   | 7    | <u>–</u>   | <u>–</u>               | <u>–</u>  | <u>–</u>               |
| <b>Loss for the period</b>   |      | <b><u>(30,445)</u></b>                           | <b><u>(26,689)</u></b> | <b><u>(12,417)</u></b>                            | <b><u>(30,807)</u></b> |
| <b>Attributable to:</b>  |      |  |                        |   |                        |
| Owners of the Company  |      | <b>(37,810)</b>                                  | (36,437)               | <b>(13,602)</b>                                   | (32,895)               |
| Non-controlling interests  |      | <u>7,365</u>                                     | <u>9,748</u>           | <u>1,185</u>                                      | <u>2,088</u>           |
|  |      | <b>(30,445)</b>                                  | (26,689)               | <b>(12,417)</b>                                   | (30,807)               |
| <b>Loss per share</b><br><b>attributable to owners</b><br><b>of the Company</b><br><b>(HK cents)</b> |      |  |                        |   |                        |
| – Basic  | 8    | <b>(1.28)</b>                                    | (1.17)                 | <b>(0.46)</b>                                     | (1.10)                 |
| – Diluted  | 8    | <b>N/A</b>                                       | N/A                    | <b>N/A</b>  | N/A                    |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | (Unaudited)<br>Nine months<br>ended 30 September |                 | (Unaudited)<br>Three months<br>ended 30 September |                 |
|--|--|-----------------|---|-----------------|
|  | 2016   | 2015            | 2016  | 2015            |
|  | <i>HK\$'000</i>                                  | <i>HK\$'000</i> | <i>HK\$'000</i>                                   | <i>HK\$'000</i> |
| <b>Loss for the period</b>   | <b>(30,445)</b>                                  | (26,689)        | <b>(12,417)</b>                                   | (30,807)        |
| <b>Other comprehensive income:</b>                                     |  |                 |   |                 |
| Exchange difference arising<br>on translation of foreign<br>operations | (1,452)  | (771)           | (34)  | (555)           |
| <b>Total comprehensive<br/>loss for the period</b>                     | <b>(31,897)</b>                                  | (27,460)        | <b>(12,451)</b>                                   | (31,362)        |
| <b>Attributable to:</b>  |  |                 |   |                 |
| Owners of the Company  | (39,262)   | (37,208)        | (13,636)  | (33,450)        |
| Non-controlling interests  | 7,365  | 9,748           | 1,185   | 2,088           |
|  | <b>(31,897)</b>                                  | (27,460)        | <b>(12,451)</b>                                   | (31,362)        |

## **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 2016 have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations (the "standards") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2015. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2015. The adoption of these new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

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

### **3. TURNOVER**

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

#### 4. OTHER INCOME

|  | <b>(Unaudited)</b>        |                 | <b>(Unaudited)</b>        |                 |
|--|---------------------------|-----------------|---------------------------|-----------------|
|  | <b>Nine months</b>        |                 | <b>Three months</b>       |                 |
|  | <b>ended 30 September</b> |                 | <b>ended 30 September</b> |                 |
|  | <b>2016</b>               | <b>2015</b>     | <b>2016</b>               | <b>2015</b>     |
|  | <b>HK\$'000</b>           | <b>HK\$'000</b> | <b>HK\$'000</b>           | <b>HK\$'000</b> |
| Interest income  | 44                        | 62              | 7                         | 15              |
| Sundry income  | 21                        | 217             | 21                        | 96              |
| Gain on sale of financial asset  | –                         | 1,946           | –                         | –               |
| Fair value loss on financial<br>asset at fair value<br>through profit and loss | –                         | (9,794)         | –                         | (10,006)        |
|  | <b>65</b>                 | <b>(7,659)</b>  | <b>28</b>                 | <b>(9,895)</b>  |

#### 5. OTHER EXPENSES

|   | <b>(Unaudited)</b>         |                 | <b>(Unaudited)</b>          |                 |
|---|----------------------------|-----------------|-----------------------------|-----------------|
|   | <b>For the nine months</b> |                 | <b>For the three months</b> |                 |
|   | <b>ended 30 September</b>  |                 | <b>ended 30 September</b>   |                 |
|   | <b>2016</b>                | <b>2015</b>     | <b>2016</b>                 | <b>2015</b>     |
|   | <b>HK\$'000</b>            | <b>HK\$'000</b> | <b>HK\$'000</b>             | <b>HK\$'000</b> |
| Net realised loss on financial<br>assets at fair value through<br>profit or loss            | 3,126                      | –               | 2,903                       | –               |
| Net unrealised loss/(profit) on<br>financial assets of fair value<br>through profit or loss | 15,867                     | –               | (2,366)                     | –               |
| Loss on disposal of property,<br>plant and equipment  | 3,371                      | –               | 3,371                       | –               |
|   | <b>22,364</b>              | <b>–</b>        | <b>3,908</b>                | <b>–</b>        |

#### 6. FINANCE COSTS

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

## 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. 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:

|  | <b>(Unaudited)<br/>Nine months<br/>ended 30 September</b> |                             | <b>(Unaudited)<br/>Three months<br/>ended 30 September</b> |                             |
|--|---|-----------------------------|--|-----------------------------|
|  | <b>2016</b>   | <b>2015</b>                 | <b>2016</b>  | <b>2015</b>                 |
| Unaudited loss for the period for the purpose of basic and diluted loss per share (HK\$'000) | <b><u>(37,810)</u></b>                                    | <b><u>(36,437)</u></b>      | <b><u>(13,602)</u></b>                                     | <b><u>(32,895)</u></b>      |
| Number of shares   |   |                             |  |                             |
| Weighted average number of ordinary shares for the purpose of basic loss per share           | <b><u>2,949,672,539</u></b>                               | <b><u>3,114,744,397</u></b> | <b><u>2,957,744,500</u></b>                                | <b><u>2,996,323,544</u></b> |
| Weighted average number of ordinary shares for the purpose of diluted loss per share         | <b><u>N/A</u></b>   | <b><u>N/A</u></b>           | <b><u>N/A</u></b>  | <b><u>N/A</u></b>           |

No diluted loss per share has been presented for each of the nine months and three months ended 30 September 2016 and 30 September 2015 because the Company's outstanding share options and convertible notes during the nine months and three months ended 30 September 2016 have an anti-dilutive impact.

## 9. DIVIDEND

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2016. (2015: nil).

## 10. MOVEMENT OF RESERVES (UNAUDITED)

|   | Share-based<br>Share<br>premium<br><i>HK\$'000</i> | payment<br>reserve<br><i>HK\$'000</i> | Exchange<br>fluctuation<br>reserve<br><i>HK\$'000</i> | Convertible<br>notes equity<br>reserve<br><i>HK\$'000</i> | PRC staff<br>awards fund<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|--|---------------------------------------|---|---|--|--|--------------------------|
| As of 1 January 2015                                | 310,567  | 14,420                                | 10,896  | 6,144   | 4,442  | (361,353)                                | (14,884)                 |
| Loss for the period                                 | -  | -                                     | -   | -   | -  | (36,437)                                 | (36,437)                 |
| Other comprehensive income                          | -  | -                                     | (771)   | -   | -  | -  | (771)                    |
| Total comprehensive<br>Income/(loss) for the period | -  | -                                     | (771)   | -   | -  | (36,437)                                 | (37,208)                 |
| Issue of employee share option                      | -  | 16,537                                | -   | -   | -  | -  | 16,537                   |
| Exercise of share options                           | 1,229  | (413)                                 | -   | -   | -  | -  | 816                      |
| Share repurchases                                   | (82,924)   | -                                     | -   | -   | -  | -  | (82,924)                 |
| As of 30 September 2015                             | 228,872  | 30,544                                | 10,125  | 6,144   | 4,442  | (397,790)                                | (117,663)                |
| <b>As of 1 January 2016</b>                         | <b>228,254</b>                                     | <b>30,544</b>                         | <b>8,341</b>  | <b>-</b>  | <b>6,558</b>   | <b>(390,499)</b>                         | <b>(116,802)</b>         |
| Loss for the period                                 | -  | -                                     | -   | -   | -  | (30,445)                                 | (30,445)                 |
| Other comprehensive income                          | -  | -                                     | (1,452)   | -   | -  | -  | (1,452)                  |
| Total comprehensive<br>income/(loss) for the period | -  | -                                     | (1,452)   | -   | -  | (30,445)                                 | (31,897)                 |
| Issue of convertible note                           | -  | -                                     | -   | 1,174   | -  | -  | 1,174                    |
| Exercise of share options                           | 20,692   | (4,312)                               | -   | -   | -  | -  | 16,380                   |
| As of 30 September 2016                             | 248,946  | 26,232                                | 6,889   | 1,174   | 6,558  | 420,944                                  | (131,145)                |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The Group's turnover for the nine months' period was 18.74% more than the same period last year. The medical education core business remains stable.

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

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

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

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

On 16 May 2016, the Company and Beijing Beizhong agreed in writing to extend the time for taking practical actions in respect of the Cooperation under the Strategic Cooperation Agreement for another six months.

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



## **FINANCIAL REVIEW**

For the nine months ended 30 September 2016, the Group recorded revenue of approximately HK\$38,188,000 (2015: HK\$32,160,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$21,600,000 (2015: HK\$18,584,000), representing a gross profit margin of 57% for the period under review.

During the period, cost of sales was approximately HK\$16,588,000 (2015: HK\$13,576,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income was approximately HK\$65,000 (2015: HK\$7,569,000) representing an interest income of approximately HK\$44,000 (2015: HK\$62,000) Sundry income of approximately HK\$21,000 (2015: HK\$217,000). In 2015, included, a gain on sale of financial assets of approximately 1,946,000 and a fair value loss on financial asset at fair value through profit and loss of approximately 9,794,000.

Other expenses for the period under review amounted to approximately HK\$22,364,000 (2015: Nil) representing net realised loss on financial assets at fair value through profit or loss of approximately HK\$3,126,000 (2015: Nil), net unrealised loss on financial assets of fair value through profit or loss of approximately HK\$15,867,000 (2015: Nil) and loss on disposal of property, plant and equipment of approximately HK\$3,371,000 (2015: Nil).

Administrative expenses for the period under review were approximately HK\$29,325,000 (2015: HK\$36,546,000), of which staff related costs were approximately HK\$8,256,000 (2015: HK\$7,608,000). Other major expenses include rental, which was approximately HK\$1,544,000 (2015: HK\$1,312,000); consultancy fees, which were approximately HK\$4,720,000 (2015: HK\$3,641,000); and depreciation charges, which were approximately HK\$981,000 (2015: HK\$1,653,000) during the period under review.

Finance costs during the period were approximately HK\$421,000 (2015: HK\$148,000), and the consolidated loss for the period was approximately HK\$30,445,000 (2015: HK\$26,689,000).

## **OUTLOOK**

The Group's existing e-learning business will remain the core business and main cash generator in the near future. This business is expected to grow in a rather stable manner.

As usual, the Group will implement certain cost-effective measures to streamline the operation so as to enhance the profitability and value of this e-learning business. The Company will continue to look for opportunities for our existing business, particularly in developing both vertically and horizontally within the Group's existing medical education platform, expanding further into our service network, increase the shareholders' value and reduce business risk.

In addition, the Company will continue to look for other attractive investments in the PRC and locally in an attempt to diversify into different business areas to reduce the reliance upon existing e-learning business and strengthen the positive cash flow and earnings for the Group in the long run.

In response to the disclaimer of opinion stated in the annual report for the year ended 31 December 2015, the Company take initiative to proceed a voluntary interim audit for the year 2016 in order to improve by providing the auditor with sufficient audit evidence in support of management's decision with regard to the measurement and disclosure of certain material amount involved in the presentation of consolidated financial statements as at 30 June 2016.

On 23 August 2016, the Company entered into a Memorandum of Cooperation with Ms. Zhang Manlin, being holder of Beijing Huada Kanghong iotechnology Co., Ltd. (北京華達康弘生物科技有限責任公司) (the "Target Company I") as to 30%, Mr. Yao Xianguo, being holder of the Target Company I as to 30%, and Mr. Zhujiang, being holder of the Target Company I as to 40%, (collectively hold in aggregate 100% equity interest of the Target Company I), in relation to the possible transfer of not less than 65% of the equity interest of the Target Company I to the Company and other cooperation projects. The Target Company I is a limited company incorporated in the People's Republic of China. It is principally engaged in the business of prepackaged food wholesale and biotechnology development. The consideration has not yet been determined but shall be determined with reference to the value of the Target Company I to be assessed by an independent professional valuer to be appointed by the Parties and may be satisfied by the Company's issue of convertible notes, and the price for issuing such Shares and the conversion price of such convertible notes shall not exceed HK\$0.20 to HK\$0.22 per Share. The reason for the possible transfer was for the Company to develop the health food market. Details of which were disclosed in the announcement of the Company dated 23 August 2016.

On 30 August 2016, Million Forever Limited, a wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with Happy Leisure Corp. in relation to the acquisition of 45% equity interest in Business Harbour Inc. Business Harbour Inc. is principally engaged in the compilation and production of the content of online education courses and related business. The maximum consideration was HK\$50,000,000 which will be satisfied by (i) issue and allotment of

190,476,190 ordinary shares at HK\$0.21 per ordinary shares by the Company of HK\$40,000,000 in total; (ii) HK\$10,000,000 to be settled by cash upon fulfillment of profit guarantee. A valuation report was issued by an independent professional valuer on 25 August 2016 and the value of Business Harbour Inc., as at 24 August 2016, was determined as HK\$150,000,000. On 2 November 2016, the acquisition was completed with the terms and conditions of the Sale and Purchase Agreement. Details of which were disclosed in the announcements of the Company dated 30 August 2016, 31 August 2016, 21 September 2016, 30 September 2016 and 2 November 2016.

On 11 October 2016 and 24 October 2016, Beijing Hua Tuo Education Technology Company Limited (北京華拓教育科技有限公司), a wholly-owned subsidiary of the Company, entered into an agreement and a supplementary agreement with Mr. Wang Peng and Mr. Ma Liejun in relation to a possible acquisition of 49% equity interest in Beijing Youli Lianxu Technology Co., Ltd. (北京優力聯旭科技有限公司) (the “Target Company II”), at a consideration of HK\$91,581,000 (subject to adjustment) to be settled by the Company’s issue of convertible note with an aggregate principal amount of HK\$91,581,000, which may be converted into 384,794,117 shares at HK\$0.238 per share (subject to adjustment). The reason for the possible acquisition was for the Company to develop the internet platform sale market. Details of which and the major terms of the adjustment were disclosed in the announcements of the Company dated 11 October 2016 and 24 October 2016.

On 1 November 2016, the Company and Legend Japanese Food Limited (嶺進日本食品有限公司) (“LJFL”) signed a memorandum of cooperation for the Company’s possible acquisition of all or part of the equity interest in Shag Mei International Food Limited (正味國際食品有限公司) (“Target Company III”) and/or its related companies (the “Target Companies”) and the other cooperation projects. The Target Company III is a limited company incorporated in Hong Kong which is principally engaged in the business of food processing and sale. LJFL owns the entire issued share capital of the Target Company III. The consideration has not yet been determined but shall be determined with reference to the value of the Target Company III to be assessed by an independent professional valuer to be appointed by the Parties and may be satisfied by the Company’s issue of convertible notes, and the price for issuing such Shares and the conversion price of such convertible notes shall not exceed HK\$0.28 per Share. The reason for the possible acquisition was for the Company to develop the business of food processing and sale. Details of which were disclosed in the announcement of the Company dated 1 November 2016.

The Company believed that the above mentioned possible acquisition and/or completed acquisitions, when materialized, will strengthen the positive cash flow and earnings for the Group in the long run.

## **Share capital**

As at 30 September 2016, 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 HK\$303,610,318 divided into 3,036,103,196 shares of HK\$0.10 each.

## **Convertible Notes**

### ***Convertible Notes 2018***

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

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

As at 30 September 2016, the aggregate outstanding principal amount of CN2018 was HK\$10,000,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 28,571,428 new shares of the Company.

## **Foreign exchange exposure**

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

## **Significant investments**

On 30 August 2016, the Company entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of 45% equity interest in Business Harbour Inc.

For detailed information regarding the transaction of Business Harbour Inc., please refer to the announcement of the Company dated 30 August 2016.

On 2 November 2016, the Company was completed with the terms and conditions of the Sale and Purchase Agreement.

For detailed information regarding the completion of transaction, please refer to the announcement of the Company dated 3 November 2016.

### **Charges on the Group's assets**

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

### **DIRECTORS' INTERESTS IN SECURITIES**

As at 30 September 2016, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

#### **Long position in shares or underlying shares of the Company**

| Name of Directors                      | Capacity         | Number of shares or<br>underlying shares held |                   |            | Percentage<br>of issued<br>share capital |
|--|------------------|---|-------------------|------------|--|
|  |                  | Ordinary<br>Share                             | Shares<br>Options | Total      |  |
| Yuan Wei ( <i>Director</i> )           | Beneficial owner | –   | 20,000,000        | 20,000,000 | 0.66%                                    |
| Zhang Jianxin<br>( <i>Director</i> )   | Beneficial owner | –   | 5,000,000         | 5,000,000  | 0.17%                                    |
| Wang Hui<br>( <i>Chief Executive</i> ) | Beneficial owner | 1,000,000                                     | 25,377,306        | 26,377,306 | 0.87%                                    |

Save as disclosed above, as at 30 September 2016, none of the other Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## **INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2016, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

### **Long position in shares or underlying shares of the Company**

| <b>Name of Shareholder</b>        | <b>Capacity</b>                      | <b>Number of shares<br/>or underlying<br/>shares held</b> | <b>Percentage<br/>of issued share<br/>capital</b> |
|-----------------------------------|--------------------------------------|---|---|
| Atlantis Capital Holdings Limited | Investment manager                   | 391,000,000   | 12.88%  |
| Liu Yang ( <i>note 1</i> )        | Interest of a controlled corporation | 391,000,000   | 12.88%  |

*Note:*

1. According to the disclosure of interests notice filed, Ms. Liu Yang is deemed to be in control of Atlantis Capital Holdings Limited, Ms. Liu Yang is deemed to be interested in the 391,000,000 shares of the Company.

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

## **CORPORATE GOVERNANCE**

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

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

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

## **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 2016, the committee comprised three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2016 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

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

Hong Kong, 14 November 2016

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Yuan Wei, and Ms. Zhang Jianxin; and three independent non-executive directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.*