



# 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)

### 2017 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## RESULTS

The board (the“Board”) of directors (“Directors”) of China E-Learning Group Limited (the“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the“Group”) for the three months ended 31 March 2017, together with the comparative unaudited figures of the corresponding period in 2016, as follows:

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

		(Unaudited) Three month ended 31 March	
	Note	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>	3	<b>16,324</b>	9,903
Cost of goods sold and services provided		<b>(4,587)</b>	(4,340)
<hr/>			
Gross profit		<b>11,737</b>	5,563
Other income	4	<b>223</b>	–
Other expenses	5	–	(20,826)
Administrative expenses		<b>(12,521)</b>	(5,992)
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<b>Loss from operations</b>		<b>(561)</b>	(21,255)
Finance costs, net	6	<b>(154)</b>	(126)
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<b>Loss before tax</b>		<b>(715)</b>	(21,381)
Income tax	7	–	–
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<b>Loss for the period</b>		<b>(715)</b>	(21,381)
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<b>Attributable to:</b>			
Owners of the Company		<b>(5,649)</b>	(24,370)
Non-controlling interests		<b>4,934</b>	2,989
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		<b>(715)</b>	(21,381)
<hr/>			
<b>Loss per share attributable to owners of the Company (HK cents)</b>	8		
– Basic		<b>(0.2)</b>	(0.8)
– Diluted		<b>N/A</b>	N/A
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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(715)</b>	(21,381)
<b>Other comprehensive (expenses)/income for the period</b>		
Exchange differences arising on translation of foreign operations	<b>(182)</b>	521
<b>Total comprehensive expenses for the period</b>	<b>(897)</b>	(20,860)
<b>Attributable to:</b>		
<b>Owners of the Company</b>	<b>(5,831)</b>	(23,849)
<b>Non-controlling interests</b>	<b>4,934</b>	2,989
	<b>(897)</b>	(20,860)

# 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

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 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 2016. 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 2016. The adoption of these new and revised standards, amendments and interpretations does not have 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. REVENUE

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

## 4. OTHER INCOME

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>24</b>	–
Sundry income	<b>7</b>	–
Net realised gain on financial assets at fair value through profit or loss	<b>192</b>	–
	<b>223</b>	–

## 5. OTHER EXPENSES

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Net realised loss on financial assets at fair value through profit or loss	-	18
Net unrealised loss on financial assets of fair value through profit or loss	-	20,808
	-	20,826

## 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)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Unaudited loss for the period for the purposes of basic and diluted loss per share	<b>(5,649)</b>	(24,370)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>3,020,884,408</b>	2,945,103,196
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>N/A</b>	N/A

No diluted loss per share has been presented for both periods ended 31 March 2016 and 2017 because the Company's outstanding shares options and convertible notes during the three months ended 31 March 2017 had an anti-dilutive impact.

## 9. DIVIDEND

The Directors do not recommend payment of any dividend for the three months ended 31 March 2017 (2016: nil).

## 10. MOVEMENT OF RESERVES (UNAUDITED)

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Convertible notes equity reserve HK\$'000	PRC staff award fund reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016	228,254	30,544	8,341	-	6,558	(397,084)	(123,387)
Loss for the period	-	-	-	-	-	(24,370)	(24,370)
Other comprehensive expenses	-	-	521	-	-	-	521
Total comprehensive expenses for the period	-	-	521	-	-	(24,370)	(23,849)
Issue of convertible note	-	-	-	1,174	-	-	1,174
At 31 March 2016	228,254	30,544	8,862	1,174	6,558	(421,454)	(146,062)
<b>At 1 January 2017</b>	<b>287,747</b>	<b>57,070</b>	<b>8,652</b>	<b>1,174</b>	<b>8,958</b>	<b>(546,820)</b>	<b>(183,219)</b>
Loss for the period	-	-	-	-	-	(5,649)	(5,649)
Other comprehensive expenses	-	-	(182)	-	-	-	(182)
Total comprehensive expenses for the period	-	-	(182)	-	-	(5,649)	(5,831)
<b>At 31 March 2017</b>	<b>287,747</b>	<b>57,070</b>	<b>8,470</b>	<b>1,174</b>	<b>8,958</b>	<b>(552,469)</b>	<b>(189,050)</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

The Group's revenue for the three months' period was 65% more than the same period last year. The medical education core business remains stable and the management expects the business continue to improve.

## FINANCIAL REVIEW

For the three months ended 31 March 2017, the Group recorded revenue of approximately HK\$16,324,000 (2016: HK\$9,903,000) representing tuition fee revenue and sales of educational products. Gross profit was approximately HK\$11,737,000 (2016: HK\$5,563,000), representing a gross profit margin of 72% (2016: 56.2%) for the period under review.

During the period, cost of goods sold and services provided was approximately HK\$4,587,000 (2016: HK\$4,340,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income for the period under review amounted to HK\$223,000 (2016: HK\$Nil), representing an interest income of HK\$24,000 (2016: HK\$Nil), a sundry income of HK\$7,000 (2016: HK\$Nil) and a gain on sale of financial assets of HK\$192,000 (2016: HK\$Nil).

Other expenses for the period under review is Nil (2016: HK\$20,826,000 representing net realised loss on financial assets at fair value through profit or loss of approximately HK\$18,000 and net unrealised loss on financial assets of fair value through profit or loss of approximately HK\$20,808,000).

Administrative expenses for the period under review were approximately HK\$12,521,000 representing an increase of approximately 109% from approximately HK\$5,992,000 for the corresponding period of last year.

Finance costs during the period were approximately HK\$154,000 (2016: HK\$126,000), and the consolidated loss for the period was approximately HK\$715,000 (2016: HK\$21,381,000).

## 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.

On 20 March 2017 the Company and Zhong He Xin Yuan Technology Company Limited\* 中核新源科技有限公司 (“ZHXY”) entered into a strategic cooperation agreement. ZHXY is a company incorporated with limited liability in the People's Republic of China and is a member of the China Nuclear Industry Group\* 中國核工業集團. Zhong He Xin Yuan owns the core technologies in the application of nuclear technologies, including but not limited to the design and setting of the standards of irradiation station, and in the manufacturing and application of irradiation accelerators. The reason for the signing of the Strategic Cooperation Agreement and the cooperation with Zhong He Xin Yuan will enable the Company to venture into in the business of irradiation. Details of which were disclosed in the announcement of the Company dated 20 March 2017.

On 9 May 2017, 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 lower than HK\$0.225 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 9 May 2017.

The Board proposes to change the English name of the Company from “China E-Learning Group Limited” to “China E-Information Technology Group Limited”, and to change the dual foreign name in Chinese of the Company from “中國網絡教育集團有限公司” to “中國網絡信息科技集團有限公司”.

For detailed information regarding the Change of Company name, please refer to the announcement of the Company dated 12 April 2017.

On 12 May 2017, the special resolution proposed at the EGM held on 12 May 2017 was duly passed.

For detailed information regarding the result of special resolution, please refer to the announcement of the Company dated 12 May 2017.

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.



## **Share capital**

As at both 1 January 2017 and 31 March 2017, 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\$330,497,937 divided into 3,020,884,408 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 31 March 2017, 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 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 31 March 2017, the Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

## **Significant investments**

On 11 October 2016 and 24 October 2016, the Company entered into the Sale and Purchase Agreement and Supplemental Agreement with the Vendor in relation to the acquisition of 49% equity interest in Beijing Youli Lianxu Technology Company Limited.

For detailed information regarding the transaction of Beijing Youli Lianxu Technology Company Limited, please refer to the announcement of the Company dated 11 October 2016 and 24 October 2016.

On 25 April 2017, the Company was completed with the terms and conditions of the Sale and Purchase Agreement and Supplemental Agreement.

For detailed information regarding the completion of transaction, please refer to the announcement of the Company dated 25 April 2017.

## Charges on the Group's assets

There were no material charges on the Group's assets as at 31 March 2017.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2017 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 positions in shares or underlying shares of the Company

Name of Directors and chief executive	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary Share	Shares Options	Total	
Yuan Wei ( <i>Director</i> )	Beneficial owner	–	30,000,000	30,000,000	0.91%
Zhang Jianxin ( <i>Director</i> )	Beneficial owner	–	10,000,000	10,000,000	0.30%
Wang Weihua ( <i>Director</i> )	Beneficial owner	168,224,000	33,000,000	201,224,000	6.09%
Wang Hui ( <i>Chief Executive Officer</i> )	Beneficial owner	1,000,000	35,377,306	36,377,306	1.07%

Save as disclosed above, as at 31 March 2017, 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 31 March 2017, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of shareholder	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Atlantis Capital Holdings Limited (note 1)	Investment manager	393,080,000	11.89%
Liu Yang (note 2)	Interest of a controlled corporation	393,080,000	11.89%
Atlantis Investment Management (Hong Kong) Limited (note 1)	Investment manager	393,080,000	11.89%
Atlantis Investment Management (Ireland) Limited (note 1)	Investment manager	210,000,000	6.35%
Riverwood Asset Management (Cayman) Ltd. (note 2)	Investment manager	196,048,000	5.93%

Notes: 1 Pursuant to the disclosure of interests notices filed by each of Ms. Liu Yang and Atlantis Capital Holdings Limited, Atlantis Investment Management (Hong Kong) Limited ("Atlantis (Hong Kong)") and Atlantis Investment Management (Ireland) Limited ("Atlantis (Ireland)") were disclosed as having interest in 393,080,000 shares and 210,000,000 shares of the Company respectively. Atlantis (Hong Kong) and Atlantis (Ireland) are indirect wholly-owned and direct wholly-owned by Ms. Liu Yang and Atlantis Capital Holdings Limited respectively. Therefore, Ms. Liu Yang and Atlantis Capital Holdings Limited are deemed to be interested in the shares held by Atlantis (Hong Kong) and Atlantis (Ireland).

2. Pursuant to the disclosure of interests notices filed by Riverwood Asset Management (Cayman) Ltd, Riverwood Asset Management (Cayman) Ltd was disclosed as having interest in 196,048,000 shares of the Company and was a wholly-owned subsidiary of Ms. Liu Yang. Therefore, Ms. Liu Yang is deemed to be interested in the shares held by Riverwood Asset Management (Cayman) Ltd.

## **CORPORATE GOVERNANCE**

For the period under review, the Company has complied with 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 three months ended 31 March 2017.

## **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 Director 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 31 March 2017, 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 three months ended 31 March 2017 have been reviewed by the audit committee, which was 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, 15 May 2017

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