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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08055)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

RESULTS

The board (the "Board") of directors (the "Directors") of China E-Learning Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008, together with the comparative audited figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	3	**26,692**	2,756
Cost of sales		**(8,659)**	(2,534)
Gross profit		**18,033**	222
Other income	4	**161**	174
Selling expenses		**(2,157)**	—
Administrative expenses		**(46,368)**	(2,739)
Goodwill impairment	10	**(321,483)**	—
Other operating expense		**—**	(30)
Loss from operations		**(351,814)**	(2,373)
Finance cost, net	5	**(12,589)**	—
Loss before tax	6	**(364,403)**	(2,373)
Income tax expense	7	**(1,459)**	—
Loss for the year attributable to the equity holders of the Company		**(365,862)**	(2,373)
Dividend	8	**—**	—
Loss per share	9		
— Basic		**(41.86 cent)**	(1.21 cent)
— Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Goodwill	10	**326,115**	—
Other intangible assets		**36,907**	—
Plant and equipment		**6,751**	46
Financial derivative		**64,455**	—
Deposit		**5,650**	—
		439,878	46
CURRENT ASSETS			
Inventories		**25**	—
Trade and other receivables	11	**12,478**	13
Tax recoverable		**2,110**	—
Cash and bank balances		**2,636**	22,567
		17,249	22,580
CURRENT LIABILITIES			
Trade and other payables	12	**3,568**	997
Amounts due to directors		**251**	80
		3,819	1,077
NET CURRENT ASSETS		**13,430**	21,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**453,308**	21,549
CAPITAL AND RESERVES			
Share capital	13	**141,382**	25,364
Reserves	13	**(78,579)**	(3,815)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**62,803**	21,549
NON-CURRENT LIABILITIES			
Other loan		**49,435**	—
Convertible loan notes		**341,070**	—
		390,505	—
		453,308	21,549

Notes:

1. Adoption of Going Concern Basis

The financial statements have been prepared on a going concern basis notwithstanding the loss from operations of the Group of approximately HK$351,814,000 as at 31 December 2008. In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern by taking into consideration the factors which include, but are not limited to, the following:

a. The maturity date of other loan of approximately HK$49,435,000 has been extended to 30 June 2011.

b. The convertible loan notes with principal face value of approximately HK$438,000,000 which was non-interest bearing and repayable on 26 February 2011.

   In the opinion of the directors of the Company, the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future and have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2008. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements for the year ended 31 December 2008 on a going concern basis. The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. Application of New and Revised Hong Kong Financial Report Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the Group's results and financial position.

HKFRSs (Amendment)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedge Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[4]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners[3]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.

3. Turnover

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

	2008	2007
	HK$'000	*HK$'000*
Operational software application products	**77**	2,756
Online professional training and multimedia education	**26,615**	—
	26,692	2,756

Business segments

Over 90% of the Group's revenue, results, assets and liabilities are derived from online professional training and multimedia education, no detailed analysis of the Group's business segments is disclosed.

Geographical segments

The Group's operations are situated in the People's Republic of China (the "PRC") in which its revenue was derived principally therefrom. Accordingly, no geographical segments are presented.

4. Other Income

	2008	2007
	HK$'000	*HK$'000*
Exchange gain	**—**	1
Interest income	**149**	173
Sundry income	**12**	—
	161	174

5. Finance Cost, Net

	2008	2007
	HK$'000	*HK$'000*
Interest expenses on financial liabilities measured at amortised cost	**31,686**	—
Fair value changes on financial derivative	**(19,097)**	—
Finance cost, net	**12,589**	—

6. Loss Before Tax

	2008	2007
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
— basic salaries and allowances	**8,226**	1,296
— contributions to defined contribution plans	**27**	28
— share-based payment expense	**24,632**	—
— miscellaneous	**100**	1
Total staff costs	**32,985**	1,325
Auditors' remuneration	**300**	260
Other receivables written off	**468**	—
Inventories written off	**9**	—
Depreciation of plant and equipment		
— included in cost of sales	**487**	—
— included in selling expenses	**3**	—
— included in administrative expenses	**491**	20
	981	20
Amortisation of other intangible assets	**3,404**	—
Goodwill impairment	**321,483**	—
Research and development costs	**18**	—
Operating leases charges		
— premises	**4,035**	45
— others	**69**	—
Other deposit forfeited	**—**	30
Exchange loss (gain)	**9**	(1)
Interest expenses on financial liabilities measured at amortised cost	**31,686**	—
Fair value changes on financial derivative	**(19,097)**	—
Interest income	**(149)**	(173)

7. Income Tax Expense

No provision for Hong Kong profits tax has been made in the financial statements as the Group's income neither arose in, nor was derived from Hong Kong for the year (2007: Nil).

Taxation arising in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No.63 issued by the Tenth National Peoples Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the Enterprise Income Tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

For the year ended 31 December 2008, the domestic income tax rate of 25% represents the PRC Foreign Enterprise Income Tax of which the Group's operations are substantially based.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss before tax	**(364,403)**	(2,373)
Tax at respective applicable tax rates	**(59,738)**	(415)
Tax effect of expenses not deductible for tax purposes	**60,974**	152
Tax effect of income not taxable for tax purposes	**(20)**	(30)
Tax effect of tax losses not recognised	**242**	327
Utilization of tax losses previously not recognised	**—**	(37)
Tax effect of unrecognized temporary differences	**—**	3
Tax effect of exemption granted to subsidiaries	**1**	—
Income tax expense for the year	**1,459**	—

8. Dividend

No dividend was paid or proposed for the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

9. Loss Per Share

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK$365,862,000 (2007: HK$2,373,000), and based on the weighted average number of shares in issue during the year of approximately 873,993,000 ordinary shares (2007: 196,312,000 ordinary shares), as adjusted to reflect the issue of new shares, exercise of share options and issue of shares by conversion of convertible loan notes during the year.

Weighted average number of ordinary shares for the purpose of basic loss per share

Number of shares	**2008** ***'000***	2007 *'000*
Issued ordinary shares at 1 January	**253,642**	146,770
Effect of issue of new shares	**452,055**	46,626
Effect of exercise of share options	**50**	2,916
Issue of shares by conversion of convertible loan notes	**168,246**	—
Weighted average number of ordinary shares	**873,993**	196,312

No amounts are presented for the diluted loss per share because the Pre-IPO share options, share options and convertible loan notes outstanding during the year ended 31 December 2008 and 2007 had an anti-dilutive effect on the basic loss per share for the said year.

10. Goodwill

	HK$'000
COST	
Arising on acquisition of subsidiaries during the year and at 31 December 2008	647,598
IMPAIRMENT	
Impairment loss recognised in the year and at 31 December 2008	(321,483)
CARRYING VALUE	
At 31 December 2008	326,115

Goodwill arose on acquisition of subsidiaries, New Beida Business StudyNet Group Limited ("New Beida") and its subsidiaries (collectively, "New Beida Group").

Impairment testing of goodwill

During the year, the Group performed an impairment testing of goodwill with reference to a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, a qualified valuer not connected with the Group, for the purpose of assessing the recoverable amount. Such valuation has been carried out using cash flow projections based on financial budgets approved by management and applying the discounted cash flow technique. The directors of the Company are of the opinion, based on the business valuation, that goodwill associated with the education operations was impaired by HK$321,483,000 (2007: Nil).

11. Trade and Other Receivables

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**585**	—
Deposits and other receivables	**11,067**	—
Less: Other receivables written off	**(468)**	3
Prepayments	**1,294**	10
	12,478	13

An ageing analysis of trade receivables as at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**6**	—
31 to 60 days	**—**	—
61 to 90 days	**14**	—
Over 90 days	**565**	—
	585	—

General credit terms that the Group offers to customers are 30 days from billing.

At each of the balance sheet dates, the Group's trade and other receivables were individually determined to be impaired. The individually impaired receivables are recognized based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over the balances.

Included in the trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008	2007
United States Dollar (US$'000)	**7**	1
Renminbi (RMB'000)	**5,320**	—

12. Trade and Other Payables

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**1,109**	89
Other payables	**320**	—
Receipts in advance		
— system services and maintenance income	**—**	26
— trade deposit received	**933**	47
Accrued charges	**1,206**	835
	3,568	997

An ageing analysis of the trade payables as at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**447**	62
31 to 60 days	**488**	27
61 to 90 days	**152**	—
Over 90 days	**22**	—
	1,109	89

Included in the trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008	2007
United States Dollar (US$'000)	**—**	12
Australian Dollar (AUD'000)	**—**	2
Renminbi (RMB'000)	**2,340**	—

13. Share Capital and Reserves

	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Conversion note equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	14,677	26,831	292	24,415	—	—	(67,475)	(1,260)
Loss for the year	—	—	—	—	—	—	(2,373)	(2,373)
Issue of shares by placement	2,958	7,543	—	—	—	—	—	10,501
Issue of shares by open offer	7,237	7,237	—	—	—	—	—	14,474
Share issue expenses	—	(816)	—	—	—	—	—	(816)
Issue of shares by exercise of share options	492	767	(236)	—	—	—	—	1,023
Forfeited share options expensed off to accumulated losses	—	—	(51)	—	—	—	51	—
At 31 December 2007 and at 1 January 2008	**25,364**	**41,562**	**5**	**24,415**	**—**	**—**	**(69,797)**	**21,549**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(365,862)**	**(365,862)**
Issue of shares by placement	**50,000**	**25,025**	**—**	**—**	**—**	**—**	**—**	**75,025**
Issue of shares by conversion of convertible loan notes	**66,000**	**66,000**	**—**	**—**	**—**	**—**	**—**	**132,000**
Share issue expenses	**—**	**(2,000)**	**—**	**—**	**—**	**—**	**—**	**(2,000)**
Issue of shares by exercise of share options	**18**	**18**	**(5)**	**—**	**—**	**—**	**—**	**31**
Employee share option benefits	**—**	**—**	**24,632**	**—**	**—**	**—**	**—**	**24,632**
Equity component of convertible loan notes	**—**	**—**	**—**	**—**	**—**	**285,987**	**—**	**285,987**
Cancellation of convertible loan notes, at fair value	**—**	**—**	**—**	**—**	**—**	**(59,580)**	**—**	**(59,580)**
Conversion of convertible loan notes	**—**	**—**	**—**	**—**	**—**	**(52,433)**	**—**	**(52,433)**
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**—**	**3,454**	**—**	**—**	**3,454**
At 31 December 2008	**141,382**	**130,605**	**24,632**	**24,415**	**3,454**	**173,974**	**(435,659)**	**62,803**

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The independent auditor's report of the Group's consolidated financial statements for the year ended 31 December 2008 contains a modified auditor's opinion:

"EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 in the financial statements which indicates that the Group recorded a loss from operations of approximately HK$351,814,000 for the year ended 31 December 2008. In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, after considering the maturity dates of (i) other loan; and (ii) convertible loan notes, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Moreover, the Group will have sufficient working capital to meet in full its financial obligations as and when they fall due for the next twelve months from 31 December 2008. Accordingly, the financial statements have been prepared on a going concern basis, the validity of which depends upon the extension of the maturity dates of other loan and convertible loan notes amount on maturity date. The financial statements do not include any adjustments that would result from a failure of the Group to extend the maturity dates of such liabilities. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect."

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group recorded a turnover of approximately HK$26,692,000 (2007: HK$2,756,000) representing an increase by 869% as compared to the previous year. The increase in turnover is mainly due to the acquisition of New Beida Group on 27 February 2008. Since then, the operational results of New Beida Group have been incorporated into the results of the Group.

The segment turnover of online professional training and multimedia education business and operational software application products for the year ended 31 December 2008 was approximately HK$26,615,000 and HK$77,000, accounting for approximately 99.8% and 0.2% of the Group's turnover, respectively.

In addition to the effect on incorporating New Beida Group's operational results into the Group's results, share options were granted to the management and share-based payment expenses of approximately HK$24,632,000 were recorded during the year under review. As a result, total administrative expenses of the Group increased from approximately HK$2,739,000 in 2007 to approximately HK$46,368,000 in 2008.

Due to the global economic crisis, the Group's business performance has been adversely affected during the year. Therefore, at 31 December 2008, the management reassessed the recoverable amount of goodwill associated with the acquisition of New Beida Group and an impairment loss of approximately HK$321,483,000 was recorded.

As a result, the consolidated loss for the year increased from approximately HK$2,373,000 in 2007 to approximately HK$365,862,000 in 2008.

Capital structure, liquidity and financial resources

The Group financed its business operations mainly with cash revenue generated from operating activities and additional funds raised by issuance of new shares. As at 31 December 2008, the Group had current assets of approximately HK$17,249,000 (2007: HK$22,580,000), including cash and bank balances of approximately HK$2,636,000 (2007: HK$22,567,000). The total non-current assets of the Group amounted to approximately HK$439,878,000 (2007: HK$46,000), which comprised goodwill, other intangible assets, financial derivative in relation to the convertible loan notes, plant and equipment and deposit. The total assets of the Group amounted to approximately HK$457,127,000 as at 31 December 2008 (2007: HK$22,626,000).

As at 31 December 2008, the Group did not have any outstanding bank borrowing. The total current liabilities of the Group amounted to approximately HK$3,819,000 (2007: HK$1,077,000), which mainly comprised the amounts due to directors and trade and other payables. The total non-current liabilities of the Group amounted to approximately HK$390,505,000 (2007: Nil), which comprised the convertible loan notes and other loan. The total liabilities of the Group amounted to approximately HK$394,324,000 (2007: HK$1,077,000). As at 31 December 2008, the Group had net assets of HK$62,803,000 (2007: HK$21,549,000). The gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 0.86 as at 31 December 2008 (2007: 0.05).

On 5 February 2008, 500,000,000 ordinary shares of HK$0.10 each in the capital of the Company were issued and allotted at placing price of HK$0.15 per share pursuant to a placing agreement dated 4 October 2007. The gross proceeds from placing of new shares before issue expenses amounted to approximately HK$75,025,000.

On 14 February 2008, an ordinary resolution was passed in the extraordinary general meeting to approve the increase of authorized share capital of the Company from HK$80,000,000 divided into 800,000,000 shares of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each by the creation of additional 9,200,000,000 shares in order to accommodate future expansion and growth of the Company.

On 27 February 2008, the Company issued convertible notes (the "Convertible Notes") as partial settlement of the consideration for the acquisition of New Beida Group. The aggregate principal of the Convertible Notes amounted to HK$720,000,000. The Convertible Notes are interest free, repayable in 36 months from the date of issue and convertible into ordinary shares at conversion price of HK$0.20 per share, subject to adjustments.

Set out below are details of conversion of the Convertible Notes during the year:

Date of Conversion	**Principal Amount of the Convertible Notes** *HK$*	**Number of Ordinary Shares Issued**
28 April 2008	4,000,000	20,000,000
9 May 2008	40,000,000	200,000,000
14 October 2008	8,000,000	40,000,000
17 October 2008	10,000,000	50,000,000
18 December 2008	10,000,000	50,000,000
23 December 2008	20,000,000	100,000,000
31 December 2008	40,000,000	200,000,000

In September 2008, 177,625 shares were issued upon exercise of share options.

Foreign exchange exposure

All the Group's assets, liabilities and transactions are denominated in Renminbi, Hong Kong dollar or United States dollar. Foreign exchange risk arising from the normal course of operations is considered to be minimal. The Group has no foreign currency borrowings and has not used any financial instrument for hedging purposes.

Contingent liabilities and charges on the Group's assets

There were no material contingent liabilities or charges on the Group's assets as at 31 December 2008.

OPERATIONAL REVIEW

Online professional training business

On 27 February 2008, the acquisition of New Beida Group was completed. Since then, the operational results of New Beida Group had been incorporated into the results of the Group. However, New Beida Group's results for the year were adversely affected by the global financial crisis.

In accordance with the acquisition agreement, the vendor and the guarantors to the acquisition agreement jointly and severally undertake to the purchaser, a wholly-owned subsidiary of the Company, that New Beida Group's audited consolidated profits after tax for the year ended 31 December 2008, calculated in accordance with the accounting principles generally accepted in Hong Kong, shall not be less than HK$150 million (the "Guaranteed Profit") and will compensate the Company on a dollar-for-dollar basis for any shortfall thereof. As New Beida Group incurred a loss of approximately HK$565,000 for the year ended 31 December 2008, part of the Convertible Notes in the principal amount of HK$150 million has been cancelled and the amount of loss incurred by New Beida Group has been set off against the amount due to former shareholder of New Beida (i.e. the vendor) as at 31 December 2008.

In addition, due to the current market condition, New Beida Group is not expected to generate profits and cash flows as originally forecasted. The management has therefore reassessed the recoverable amount of the goodwill in relation to the acquisition of New Beida Group. An impairment loss of approximately HK$321,483,000 was recorded and the goodwill was written down to approximately HK$326,115,000 as at 31 December 2008.

Operational software application products

As the management identified fierce competition in the market of operational application software and increasing operational costs, the Group shifted its focus to developing online professional training and multimedia education business during the year ended 31 December 2008.

Employee information

As at 31 December 2008, the Group had a total of 82 employees (including executive directors). For the year under review, the total staff costs amounted to approximately HK$32,985,000 (2007: HK$1,325,000), representing an increase of approximately 2,389% over the previous year. The increase in staff costs was mainly attributable to the acquisition of New Beida Group in February 2008.

The salaries and benefits of the Group's employees are kept at a market level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contributions to mandatory provident fund and share options. Share options were granted to employees of the Group in the current year.

Future plans for material acquisitions

On 12 June 2008, the Group entered into certain acquisition agreements (as amended by certain supplemental agreements thereto) with vendors to acquire the entire interest in a company and its subsidiaries for a consideration of approximately HK$45,200,000. The acquired company is an investment holding company incorporated in the British Virgin Islands and its subsidiaries are principally engaged in the provision of distance learning courses of advanced Chinese medicine, distance continuing education of Chinese medicine and sub-healthiness services in China. On 27 February 2009, an ordinary resolution was passed in the extraordinary general meeting to approve the acquisition. It is expected to complete in April 2009.

PROSPECTS

Given the slowdown in demand for continued education in the financial industry, the management will continue to develop training projects in different industries and take initiative in identifying business opportunities in new emerging markets to broaden the Group's revenue sources.

In February 2009, the acquisition of the entire equity interest of a company engaged in the provision of distance learning courses of advanced Chinese medicine, distance continuing education of Chinese medicine and sub-healthiness services in the PRC was approved. It is expected to complete in April 2009.

The management is of the view that China's long term economic fundamentals remain sound albeit the current market condition. With the increase in computer and internet usage, demand for online vocational certification and continuous education and training will increase significantly in the future. In addition, with the increasing demand for Chinese medicine, certification and training in this sector will become an educational focus in the future. The Group's experience in online training, together with the expertise in providing training in Chinese medicine which the Group is acquiring, have provided the Group an advantage over other competitors to achieve the leading position in the field of Chinese medicine distance learning in China and to expand its overseas markets.

Meanwhile, the Group will continue to look for new business opportunities that may increase the shareholders' value of the Group and to further reduce the business risk of the Group by business diversification.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company's audit committee was established on 26 November 2001 for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. The committee comprises three Independent Non-Executive Directors, namely Ms. Chan Hoi Ling (the Chairman of the Committee), Dr. Wong Yun Kuen and Dr. Huang Chung Hsing. In 2008, the audit committee held four meetings. The Group's consolidated financial statements for the year ended 31 December 2008 have been reviewed by the audit committee, which is of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. LO AND KWONG C.P.A. COMPANY LIMITED

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2008 as set out in this announcement have been agreed by the Group's auditors, Messrs. Lo and Kwong C.P.A. Company Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Lo and Kwong C.P.A. Company Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Lo and Kwong C.P.A. Company Limited in this announcement.

CORPORATE GOVERNANCE

According to Rules 5.05 and 5.28 of the GEM Listing Rules, every board of directors of an issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. However, during the period from 1 January 2008 to 13 August 2008, the Board had only two Independent Non-Executive Directors and the audit committee comprised only two members. Therefore, the Company was unable to strictly comply with the relevant requirements of the GEM Listing Rules during the aforementioned period. Save as disclosed above, the Company had complied with the Code on Corporate Governance Practices as set out in Appendix 15 in the GEM Listing Rules during the year ended 31 December 2008.

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

Hong Kong, 30 March 2009

The Board as of the date of this announcement comprises Mr. Chen Hong, Ms. Liang Juan, Ms. Wang Hui, Ms. Wei Jianya and Mr. Li Xiangjun as Executive Directors, and Dr. Wong Yun Kuen, Ms. Chan Hoi Ling and Dr. Huang chung Hsing as Independent non-executive Directors.

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.