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 ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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.

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

RESULTS

The board (the "Board") of directors (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 2010, together with the comparative audited figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Revenue	4	**38,575**	23,253
Cost of sales		**(19,370)**	(18,358)
Gross profit		**19,205**	4,895
Other income	5	**20,634**	3,192
Selling expenses		**(165)**	(3,199)
Administrative expenses		**(45,517)**	(43,290)
Impairment loss on goodwill		**(31,506)**	(326,115)
Impairment loss on other intangible assets		**–**	(33,060)
Finance costs, net	6	**(14,730)**	(78,059)
Loss before tax	7	**(52,079)**	(475,636)
Income tax credit	8	**–**	258
Loss for the year		**(52,079)**	(475,378)
Attributable to:			
Owners of the Company		**(51,898)**	(479,757)
Non-controlling interests		**(181)**	4,379
		(52,079)	(475,378)
Loss per share	10		
– Basic		**(51.84 cents)**	(129.45 cents)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year	**(52,079)**	(475,378)
Other comprehensive income		
Changes in fair value of available-for-sale financial assets	**2,225**	–
Exchange difference arising on translation of foreign operations	**2,060**	600
Other comprehensive income, net of tax	**4,285**	600
Total comprehensive loss for the year	**(47,794)**	(474,778)
Attributable to:		
Owners of the Company	**(47,613)**	(479,157)
Non-controlling interests	**(181)**	4,379
	(47,794)	(474,778)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
NON-CURRENT ASSETS			
Goodwill	11	**–**	31,506
Other intangible assets		**–**	265
Prepaid land lease payments		**–**	1,039
Property, plant and equipment		**4,783**	8,732
Available-for-sale financial assets		**9,250**	–
Financial derivatives		**–**	316
		14,033	41,858
CURRENT ASSETS			
Inventories		**103**	132
Prepaid land lease payments		**–**	40
Trade and other receivables	12	**62,148**	14,848
Amount due from non-controlling interests		**–**	460
Financial derivatives		**1,399**	–
Cash and cash equivalents		**33,717**	37,218
		97,367	52,698
TOTAL ASSETS		**111,400**	94,556
CURRENT LIABILITIES			
Trade and other payables	13	**30,792**	25,045
Income tax payable		**62**	252
Amounts due to directors		**116**	116
Financial derivatives		**1,955**	–
Convertible notes		**80,922**	–
		113,847	25,413
NON-CURRENT LIABILITIES			
Other loan		**49,435**	49,435
Financial derivatives		**–**	1,640
Convertible notes		**–**	254,374
		49,435	305,449
TOTAL LIABILITIES		**163,282**	330,862
NET CURRENT ASSETS		**(16,480)**	27,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,447)**	69,143
NET LIABILITIES		**(51,882)**	(236,306)
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**655,385**	236,282
Reserves		**(711,035)**	(476,356)
		(55,650)	(240,074)
Non-controlling interests		**3,768**	3,768
TOTAL EQUITY		**(51,882)**	(236,306)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. ADOPTION OF GOING CONCERN BASIS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net liabilities of approximately HK$51,882,000 as at 31 December 2010.

In the opinion of the directors of the Company, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. The directors of the Company will continue to reduce overheads and costs, and are exploring opportunities for existing business with an aim to attain profitable operations with positive cash flow;

2. The directors of the Company are considering various alternatives to enlarge the capital base of the Company in order to provide additional funding to the Group and extend the maturity dates of convertible notes payable; and

3. The directors of the Company will continue to scale down the non-profitable operations.

Based on the aforesaid measures, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated 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 REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has adopted all of the new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2010.

The adoption of the new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

3. SEGMENT INFORMATION

Operating segment information

Over 96% of the Group’s revenue, results, assets and liabilities are derived from the provisions of occupational education, industry certification course, skills training and education consultation services, therefore management considers the Group has one reporting segment i.e. education business.

Geographical information

No geographical information is shown as the revenue from external customers and non-current assets of the Group are substantially derived from activities or located in the People’s Republic of China (“the PRC”).

Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2009 and 2010.

4. REVENUE

An analysis of the Group's revenue for the years is as follows:

	2010	2009
	HK$'000	*HK$'000*
Tuition fee revenue	**37,082**	23,239
Sales of educational products	**1,172**	14
Operational software application products	**321**	–
	38,575	23,253

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Other income and gains		
Gain on redemption of convertible notes	**19,537**	1,982
Exchange gains, net	**–**	65
Interest income	**36**	25
Rental income	**–**	975
Sundry income	**1,061**	145
	20,634	3,192

6. FINANCE COSTS, NET

	2010	2009
	HK$'000	*HK$'000*
Interest expenses on convertible notes	**14,911**	35,220
Fair value changes on financial derivatives	**(181)**	42,839
	14,730	78,059

7. LOSS BEFORE TAX

	2010 HK$'000	2009 HK$'000
Loss before tax is arrived at after charging (crediting):		
Staff costs (including directors' remuneration)		
– salaries and other benefits	**5,331**	8,954
– defined contribution plans contributions	**53**	43
– share-based payments expense	**–**	18,851
	5,384	27,848
Auditors' remuneration	**189**	300
Depreciation of property, plant and equipment		
– included in cost of sales	**736**	1,002
– included in selling expenses	**228**	11
– included in administrative expenses	**1,183**	605
	2,147	1,618
Amortisation of other intangible assets	**265**	4,572
Amortisation of prepaid land lease payments	**–**	45
Impairment loss on inventories	**–**	95
Impairment loss on trade receivables	**–**	916
Impairment loss on other receivables	**18,642**	757
(Gain) loss on disposal of property, plant and equipment	**(1,043)**	124
Minimum lease payments under operating lease in respect of:		
– land and buildings	**4,950**	5,236
– others	**–**	167
	4,950	5,403
Exchange losses (gains), net	**138**	(65)

8. INCOME TAX CREDIT

	2010 HK$'000	2009 HK$'000
Current tax		
– Hong Kong	**–**	–
– The PRC	**–**	252
Over-provision in prior years		
– The PRC	**–**	(510)
	–	(258)

Hong Kong profits tax is calculated at the rate of 16.5% (2009:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

During the year ended 31 December 2010, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits in Hong Kong (2009: Nil).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of 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% (2009: 25%).

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

	2010	2009
	HK$'000	*HK$'000*
Loss before tax	**(52,079)**	(475,636)
Tax at respective applicable tax rates	**(8,593)**	(82,110)
Over-provision in prior year	**–**	(510)
Tax effect of expenses not deductible for tax purpose	**6,180**	80,863
Tax effect of income not taxable for tax purpose	**(1,701)**	(1,200)
Tax effect of tax losses not recognised	**4,114**	3,332
Tax effect of exemption granted to non-profit making institute	**–**	(633)
Tax credit for the year	**–**	(258)

9. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$51,898,000 (2009: HK$479,757,000), and based on the weighted average number of shares in issue during the year of approximately 1,001,205,000 ordinary shares (2009: 370,591,000), as adjusted to reflect the issue of new shares, bonus shares and shares by conversion of convertible notes during the year.

No diluted loss per share has been presented for 2009 and 2010 as the share options and convertible notes outstanding have anti-dilutive effect on the basic loss per share amounts presented.

11. GOODWILL

	HK$'000
COST	
At 1 January 2009	647,598
Acquisition of subsidiaries (note (i))	31,222
Acquisition of non-controlling interests (note (ii))	284
At 31 December 2009 and 2010	679,104
ACCUMULATED IMPAIRMENT	
At 1 January 2009	321,483
Recognised during the year	326,115
At 31 December 2009 and 1 January 2010	647,598
Recognised during the year	31,506
At 31 December 2010	679,104
NET CARRYING AMOUNT	
At 31 December 2010	–
At 31 December 2009	31,506

Note:

(i) Goodwill arose on acquisition of subsidiaries, IIN Medical (BVI) Group Limited ("IIN Medical (BVI)") and its subsidiaries on 23 April 2009.

(ii) Goodwill arose on acquisition of non-controlling interests of Hunan IIN Medical Network Technology Development Company Limited, a subsidiary of IIN Medical (BVI), in May 2009.

Impairment testing of goodwill

i. Acquisition of New Beida Business Study Net Group Limited ("New Beida")

As at the year ended 31 December 2009, the Group had performed an impairment testing of goodwill arose on acquisition of New Beida with reference to a valuation carried out by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent qualified valuer. As New Beida sustained a negative cash flow for the year ended 31 December 2009 and such position was expected to continue in the foreseeable future, the directors of the Company were of the opinion that the income approach was inappropriate to reflect the value of New Beida as at 31 December 2009. The asset-based approach had been adopted for the valuation for the year ended 31 December 2009. Based on the business valuation, the Group had recognised an impairment loss of HK$326,115,000 in relation to goodwill arose on acquisition of New Beida for the year ended 31 December 2009. As a result, the goodwill arose on acquisition of New Beida of HK$647,598,000 was identified to be fully impaired.

ii. Acquisition of IIN Medical (BVI)

As at the year ended 31 December 2010, the Group has performed an impairment testing of goodwill arose on acquisition of IIN Medical (BVI) with reference to a valuation carried out by Grant Sherman Appraisal Limited, based on cash flow forecasts derived from the most recent financial budgets for the next five years with a discount rate of 17.83%. The directors of the Company were of the opinion, based on the business valuation, that the group had regressed as impairment loss of HK$31,506,000 in relation to goodwill arose from the acquisition of IIN Medical (BVI) as at 31 December 2010 (2009: Nil). As a results, the goodwill HK$31,506,000 arose on acquisition of IIN Medical (BVI) was identified to be fully impaired.

The recoverable amount of the goodwill has been determined on the basis of value in use calculation. The key factors for the value in use calculation are discount rates, growth rates and expected changes in revenue and direct costs. Capital Asset Pricing Model has been adopted to estimate the discount rate by using market data of other companies with business similar to IIN Medical (BVI). The growth rate is based on the historical Consumer Price Index of the PRC. Changes in revenue and direct costs are based on past performance of IIN Medical (BVI) and management's expectation of the market development.

12. TRADE AND OTHER RECEIVABLES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**1,313**	916
Less: impairment loss	**(916)**	(916)
	397	–
Other receivables	**39,664**	13,524
Less: impairment loss	**(19,818)**	(1,176)
	19,846	12,348
Prepayments and deposits	**41,905**	2,500
	62,148	14,848

An aging analysis of trade receivables net of provisions for impairment at the end of the reporting period is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
Over 90 days	**397**	–
	397	–

General credit term that the Group offers to customers is 30 days from billing. Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

The Group's movement or provision for impairment of trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**916**	–
Impairment recognised	**–**	916
At 31 December	**916**	916

The Group's movement of provision for impairment of other receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**1,176**	468
Impairment recognised	**18,642**	757
Impairment reversed	**–**	(70)
Exchange realignment	**–**	21
At 31 December	**19,818**	1,176

13. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**28**	1,179
Other payables	**5,570**	20,666
Receipt in advance	**21,786**	1,150
Accrued charges	**3,408**	2,050
	30,792	25,045

An aging analysis of the trade payables as at the end of reporting period is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**1**	–
Over 90 days	**27**	1,179
	28	1,179

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 2010 contains a modified auditor's opinion:

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicate that the Group incurred a net loss of HK$52,079,000 during the year ended 31 December 2010 and, as of that date, the Company's total liabilities exceeded its total assets by HK$51,882,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$38,575,000 (2009: HK$23,253,000) representing an increase of approximately 66% compared to the previous year. The increase in turnover was mainly due to the contributed turnover of IIN Medical Group. Gross profit margin increased to approximately 49% for the year ended 31 December 2010 from approximately 21% for the year ended 31 December 2009. The increase in gross profit margin was primarily due to the substantial increase in IIN Medical Group's turnover.

Other income for the year under review increased from approximately HK$3,192,000 in 2009 to approximately HK$20,634,000. It was mainly attributable to the Company's gain on redemption of convertible loan notes during the year of approximately HK$19,537,000.

Administrative expenses of the Group increased from approximately HK$43,290,000 in 2009 to approximately HK$45,517,000 in 2010. Of these expenses, staff related costs have been decreased by approximately 81% from approximately HK$27,848,000 in 2009 to approximately HK$5,384,000 due to no payment in share-based payment expenses (2009: approximately HK$18,851,000). Impairment loss on other receivables has been increased from approximately HK$1,176,000 in 2009 to approximately HK$18,642,000 in 2010. Depreciation of property, plant and equipment has been increased by approximately 33% to HK$2,147,000 in 2010, from approximately HK$1,618,000 in 2009.

Finance costs decreased from approximately HK$78,059,000 in 2009 to approximately HK$14,730,000 in 2010. Finance costs primarily consist of accretion of interest on the liability portion of convertible loan notes of approximately HK$14,911,000 (2009: HK$35,220,000) and fair value changes on the derivative portion of convertible loan notes of HK$181,000 gain (2009: loss of HK$42,839,000).

As a result, the consolidated loss for the year decreased from approximately HK$475,378,000 in 2009 to approximately HK$52,079,000 in 2010.

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 2010, the Group had current assets of approximately HK$97,367,000 (2009: HK$52,698,000), including bank balances and cash of approximately HK$33,717,000 (2009: HK$37,218,000). Total non-current assets of the Group amounted to approximately HK$14,033,000 (2009: HK$41,858,000), which comprised goodwill, other intangible assets, financial derivative in relation to the convertible notes, property, plant and equipment, prepaid land lease payments and available for sales financial assets. Total assets of the Group amounted to approximately HK$111,400,000 as at 31 December 2010 (2009: HK$94,556,000).

As at 31 December 2010, the Group did not have any outstanding bank borrowing. Total current liabilities of the Group amounted to approximately HK$113,847,000 (2009: HK$25,413,000), which mainly comprised the amounts due to directors, convertible notes and the related financial derivative, tax payable and trade and other payables. Total non-current liabilities of the Group amounted to approximately HK$49,435,000 (2009: HK$305,449,000), which comprised the convertible notes, financial derivative in relation to the convertible notes and other loan. Total liabilities of the Group amounted to approximately HK$163,282,000 (2009: HK$330,862,000). As at 31 December 2010, the Group had net liabilities of HK$51,882,000 (2009: net liabilities of HK$236,306,000). Gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 1.5 as at 31 December 2010 (2009: 3.50).

Share Capital

As at 1 January 2010, the authorised share capital of the Company was HK$1,000,000,000 divided into 2,000,000,000 shares of HK$0.50 each and the issued share capital of the Company was approximately HK$236,282,000 divided into 472,563,895 shares of HK$0.50 each.

Pursuant to an ordinary resolution passed on 11 May 2010, the authorised share capital of the Company was increased to HK$5,000,000,000 divided into 10,000,000,000 shares by the creation of additional 8,000,000,000 shares.

Convertible Notes

Pursuant to the acquisition of 100% interest in New Beida Group during the year ended 31 December 2008, the Company issued convertible notes ("Convertible Notes 2008") as partial settlement of the acquisition consideration on 27 February 2008. 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$0.63 per share, subject to adjustments.

On 10 June 2010, Convertible Notes 2008 in the principal amount of HK$50 million were redeemed.

As at 31 December 2010, the aggregate outstanding principal amount of the Convertible Notes 2008 was HK$76,200,000 (2009: HK$284,200,000). The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes 2008 would result in the issue and allotment of 120,952,380 new shares in the Company.

Pursuant to the acquisition of 100% interest in IIN Medical (BVI) Group, the Company issued convertible notes ("Convertible Notes 2009") as partial settlement of the acquisition consideration on 23 April 2009. The aggregate principal of the Convertible Notes amounted to HK$32,770,000. The Convertible Notes are interest free, with a principal amount of approximately HK$20,150,000 maturing in 48 months from the date of issue and the remaining principal amount of approximately HK$12,620,000 maturing in 24 months from the date of issue and convertible into ordinary shares at conversion price of HK$1.01 (2009: HK$1.57) per share, subject to adjustments.

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

During the year, Convertible Notes 2009 in the principal amount of approximately HK$3,500,000 were redeemed.

As at 31 December 2010, the aggregate outstanding principal amount of the Convertible Notes 2009 was HK$25,620,217 (2009: HK$32,770,000). The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes 2009 would result in the issue and allotment of 25,366,551 new shares in 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 PRC was covered by the sales in 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. The Group has no foreign currency borrowings and has not used any financial instrument for hedging the foreign exchange risk.

Significant investments

During the year ended 31 December 2010, no significant investments were made by the Group. (2009: nil)

Contingent liabilities and charges on the Group's assets

There were no significant contingent liabilities or charges on the Group's assets as at 31 December 2010. (2009: nil)

OPERATIONAL REVIEW

The Joint Construction of Network Education College of Beijing University of Chinese Medicine Agreement (共建北京中醫藥大學網路教育學院協議書) ("Joint Construction Agreement") entered into between Beijing University of Chinese Medicine (北京中醫藥大學) and Hunan IIN Medical Network Technology Development Co., Ltd. ("Hunan IIN Medical"), a subsidiary of IIN Medical (BVI), on 29 July 2009 was successfully renewed on 1 July 2010. In accordance with the Joint Construction Agreement, Hunan IIN Medical's entitlement to share 60% of the profits of Distance Education College of Beijing University of Chinese Medicine (北京中醫藥大學遠程教育學院) ("Distance Education College") is reduced to 51% profit-sharing percentage while all other terms and conditions thereunder are no less favourable than those under the Joint Construction Agreement.

Employee information

As at 31 December 2010, the Group had a total of 64 employees (2009: 56 employees) (including executive directors). For the year under review, the total staff costs amounted to approximately HK$5,384,000 (2009: HK$27,848,000), representing a decrease of approximately 80.7% over the previous year. The decrease in staff costs was mainly attributable to the decrease in share-based payment expenses from approximately HK$18,851,000 in 2009 to HK$Nil in 2010.

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 not granted to employees of the Group in the current year, whereby comparative details are set out in note 35 to the financial statements.

PROSPECTS

The reorganisation of New Beida's operations has succeeded in reducing Group's losses and remained operative at reasonable level. As we expect IIN Medical Group will continue to contribute stable income as well as cash flows to the Group, we will keep focusing on developing new education program in Chinese medicine.

To improve the financial position of the Group, we are considering various alternatives to enlarge the Group's capital base, which include the proposal to issue new shares so as to provide additional funding to the Group. Meanwhile, the Group will continue to look for opportunities for our existing business, particularly in developing both vertically and horizontally within the Group's medical education platform, expanding further into our service network, that may increase the shareholders' value of the Group and further reduce the business risk 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 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 Mr. Cheung Wai Tak (the chairman of the committee), Dr. Huang Chung Hsing and Mr. Wu Tao In 2010, the audit committee held 4 meetings. The Group's consolidated financial statements for the year ended 31 December 2010 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.

During the year, the audit committee, together with the external auditors, have reviewed the accounting policies and methods adopted by the Group and discussed with the management of the Company, inter alia, the matters relating to internal control and financial statements of the Company. Relevant recommendations have been made to the management.

SCOPE OF WORK OF PARKER RANDALL CF (H.K.) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in this announcement have been agreed by the Group's auditors, Parker Randall CF (H.K.) CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Parker Randall CF (H.K.) CPA 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 Parker Randall CF (H.K.) CPA Limited in this announcement.

CORPORATE GOVERNANCE

The Company had complied with the Code on Corporate Governance Practices as set out in Appendix 15 in the GEM Listing Rules (the "Code") during the year ended 31 December 2010, except the deviation from the code provision A.4.1 of the Code that requires that non-executive directors should be appointed for a specific term and subject to re-election. In December 2010, service contracts had been entered into between the Independent Non-Executive Directors and the Company. As such, the Company has complied with all the provisions set out in the GEM Listing Rules.

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

Hong Kong, 29 March 2011

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confi rm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page and the website of the Company at www.chinae-learning.com for at least 7 days from the date of its publication.