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 2011

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 (the "Directors") 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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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 2011, together with the comparative audited figures for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	*4*	**40,140**	38,575
Cost of sales		**(16,062)**	(19,370)
Gross profit		**24,078**	19,205
Other income	*5*	**3,188**	20,634
Selling expenses		**(458)**	(165)
Administrative expenses		**(39,561)**	(45,517)
Impairment losses on goodwill		**–**	(31,506)
Other expenses		**(12,543)**	–
Finance costs, net	*6*	**(6,970)**	(14,730)
Loss before tax	*7*	**(32,266)**	(52,079)
Income tax credit	*8*	**–**	–
Loss for the year		**(32,266)**	(52,079)
Loss for the year attributable to:			
Owners of the Company		**(39,007)**	(51,898)
Non-controlling interests		**6,741**	(181)
		(32,266)	(52,079)
Loss per share	*10*		
– Basic		**(2.83 cents)**	(5.18 cents)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(32,266)**	(52,079)
Other comprehensive income		
Changes in fair value of available-for-sale financial assets	**(4,742)**	2,225
Exchange difference arising on translation of foreign operations	**3,052**	2,060
Other comprehensive income, net of income tax	**(33,956)**	4,285
Total comprehensive loss for the year	**(33,956)**	(47,794)
Attributable to:		
Owners of the Company	**(40,697)**	(47,613)
Non-controlling interests	**6,741**	(181)
	(33,956)	(47,794)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Assets and liabilities			
Non-current assets			
Goodwill	11	–	–
Other intangible assets		–	–
Property, plant and equipment		3,769	4,783
Available-for-sale financial assets		3,800	9,250
		7,569	14,033
Current assets			
Inventories		–	103
Trade and other receivables	12	96,760	62,148
Financial derivatives		–	1,399
Cash and cash equivalents		19,459	33,717
		116,219	97,367
Total assets		123,788	111,400
Current liabilities			
Trade and other payables	13	45,330	30,792
Income tax payable		–	62
Amounts due to directors		–	116
Financial derivatives		250	1,955
Convertible notes		66,817	80,922
		112,397	113,847
Net current asset/(liabilities)		3,822	(16,480)
Total assets less current liabilities		11,391	(2,447)
Non-current liabilities			
Other loan		–	49,435
Convertible notes		26,105	–
		26,105	49,435
Total liabilities		138,502	163,282
Net liabilities		(14,714)	(51,882)
Capital and reserves			
Share capital		732,171	655,385
Reserves		(750,653)	(711,035)
Non-controlling interests		3,768	3,768
Total equity		(14,714)	(51,882)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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$14,714,000 as at 31 December 2011 and incurred a net loss of HK$32,266,000 for the year then ended. 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 flows;

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 payables; 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 HKFRSs, 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 2011.

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

3. OPERATING SEGMENT INFORMATION

Business segments

Over 99% of the Group's revenue, results, assets and liabilities are derived from the provision of occupational education, industry certification course, skills training and education consultation, no detailed analysis of the Group's operating 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.

Information about a major customer

No transactions with a single external customer amount to 10% or more of the Group's revenues during the year 2011 and 2010.

4. REVENUE

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

	2011	2010
	HK$'000	*HK$'000*
Tuition fee revenue	**39,968**	37,082
Sales of educational products	**172**	1,172
Operational software application products	**–**	321
	40,140	38,575

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Exchange gain	**1**	–
Interest income	**102**	36
Sundry income	**1,089**	1,061
Gain on Redemption of convertible loan notes	**1,950**	19,537
Rental income	**46**	–
	3,188	20,634

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest expenses on financial liabilities measured at amortised cost	**6,815**	14,911
Fair value changes on financial derivative	**155**	(181)
	6,970	14,730

7. LOSS BEFORE TAX

	2011	2010
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
– basic salaries and allowances	**15,772**	9,489
– contributions to defined contribution plans	**300**	53
– share-based payment expense	**–**	–
Total staff costs	**16,072**	9,542
Auditors' remuneration:		
– Audit service	**185**	170
– Non-audit service	**18**	19
– Professional fee	**7,497**	3,002
Depreciation of property, plant and equipment		
– included in cost of sales	**16**	736
– included in selling expenses	**218**	228
– included in administrative expenses	**1,507**	1,183
	1,741	2,147
Amortisation of other intangible assets	**–**	265
Impairment losses on goodwill	**–**	31,506
Impairment losses on inventories	**121**	–
Impairment losses on trade receivables	**407**	–
Impairment losses on other receivables	**6,564**	18,642
Losses on disposal of property, plant and equipment	**–**	(1,043)
Loss on disposal of available-for-sales financial asset	**106**	–
Compensation of convertible loan notes	**10,860**	–
Payments under operating lease for land and buildings	**3,108**	4,950
	3,108	4,950
Exchange (gains) losses, net	**(1)**	138

8. INCOME TAX (CREDIT) EXPENSE

During the year ended 31 December 2011, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits in Hong Kong (2010: 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% (2010: 25%).

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

	2011	2010
	HK$'000	*HK$'000*
Loss before tax	**(32,266)**	(52,079)
Tax at respective applicable tax rates	**(5,324)**	(8,593)
Tax effect of expenses not deductible for tax purposes	**1,152**	6,180
Tax effect of income not taxable for tax purposes	**(5,900)**	(1,701)
Tax effect of tax losses not recognised	**10,072**	4,114
Income tax for the year	**–**	–

9. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company of approximately HK$39,007,000 (2010: HK$51,898,000), and based on the weighted average number of shares in issue during the year of approximately 1,377,821,471 ordinary shares (2010: 1,001,205,000), 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 2011 and 2010 as the share options and convertible notes outstanding have anti-dilutive effects on the basic loss per share amounts presented.

11. GOODWILL

	The Group
	HK$'000
Cost	
At 1 January 2010, 31 December 2010 and 2011	679,104
Accumulated Impairment	
At 31 December 2009 and 1 January 2010	647,598
Impairment losses recognised during the year	31,506
At 31 December 2010 and 2011	679,104
Carrying amounts	
At 31 December 2011	–
At 31 December 2010	–

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, as opposed to the valuation carried out by LCH for the year ended 31 December 2008 where the income approach was adopted. 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 (2008: HK$321,483,000). As a result, the goodwill arose on acquisition of New Beida 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 there the group had recognised an impairment loss of HK$31,506,000 in relation to goodwill arose from the acquisition of IIN Medical (BVI) as at 31 December 2010. As a result, the goodwill of HK$31,506,000 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	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**1,391**	1,313
Less: impairment losses	**(1,391)**	(916)
	–	397
Deposits and other receivables	**97,404**	39,664
Less: impairment losses	**(27,613)**	(19,818)
Prepayments	**26,969**	41,905
	96,760	62,148

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

	The Group	
	2011	2010
	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 for provision of impairment of trade receivables is as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**916**	916
Impairment losses	**407**	–
Exchange realignment	**68**	–
At 31 December	**1,391**	916

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**19,818**	1,176
Impairment losses	**6,564**	18,642
Exchange realignment	**1,231**	–
At 31 December	**27,613**	19,818

13. TRADE AND OTHER PAYABLES

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	**13**	28
Other payables	**25,422**	5,570
Receipt in advance	**19,689**	21,186
Accrued charges	**206**	3,408
	45,330	30,792

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	1
Over 90 days	**13**	27
	13	28

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 2011 contains a modified auditor's opinion:

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 2 to the consolidated financial statements which indicate that the Group incurred a net loss of HK$32,266,000 for the year ended 31 December 2011 and, as of that date, the Group had net liabilities of HK$14,714,000. If the Group cannot materialise those expectations on improving the asset position and net operating cash flow in the forthcoming year as disclosed per Note 2 to the consolidated financial statements, there would be an uncertainty on having sufficient net cash inflow to support the Group's ability to continue its operation as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group recorded revenue of approximately HK$40,140,000 (2010: HK$38,575,000) representing tuition fee revenue and sales of educational products. Gross profit for the year under review was approximately HK$24,078,000 (2010: HK$19,205,000), representing a gross profit margin of 60% for the year under review.

During the year, cost of sales was approximately HK$16,062,000 (2010: HK$19,370,000) representing the direct wages and overheads incurred in the distance learning courses.

Other income for the year under review was approximately HK$3,188,000 (2010: HK$20,634,000) representing a gain on redemption of convertible notes of approximately HK$1,950,000 (2010: HK$19,537,000), and a sundry income of approximately HK$1,089,000 (2010: HK$1,061,000).

Selling expenses for the year under review was approximately HK$458,000 (2010: HK$165,000) representing the overheads on promotional and advertising activities.

Administrative expenses for the year under review were approximately HK$39,561,000 (2010: HK$45,517,000). Staff related costs were approximately HK$7,997,000 (2010: 5,384,000) mainly attributed to the increase in lay-off payments in the process of scaling down. Consultancy fees were approximately HK$7,497,000 (2010: HK$3,002,000) representing the costs of conducting due diligences and obtaining financial advices with new business projects.

Impairment loss on goodwill for the year under review was nil (2010: HK$31,506,000).

Other expenses for the year under review were approximately HK$12,543,000 (2010: nil) representing a provision for compensation on default repayment of convertible notes for approximately HK$10,860,000 (2010: nil) was made for prudence, the loss on investment in a subsidiary which was deregistered in 2010 for approximately HK$1,107,000 (2010: nil), and the write-off of long outstanding debts for approximately HK$576,000 (2010: nil).

Finance costs during the year were approximately HK$6,970,000 (2010: HK$14,730,000). They primarily consist of accretion of interest on the liability portion of convertible notes of approximately HK$6,815,000 (2010: HK$14,911,000) and fair value changes on the derivative portion of convertible notes of approximately HK$155,000 loss (2010: HK$181,000 gain).

As a result, the consolidated loss for the year under review was approximately HK$32,266,000 (2010: loss of HK$52,079,000).

Capital structure, liquidity and financial resources

The Group financed its business operations mainly with cash revenue generated internally from operating activities and additional funds raised by issuance of shares. As at 31 December 2011, the Group has current assets of approximately HK$116,219,000 (2010: HK$97,367,000), including bank balances and cash of approximately HK$19,459,000 (2010: HK$33,717,000). Total non-current assets of the Group amounted to approximately HK$7,569,000 (2010: HK$14,033,000), which comprised property, plant and equipment, and available-for-sale financial assets. Total assets of the Group amounted to approximately HK$123,788,000 (2010: HK$111,400,000) as at 31 December 2011.

As at 31 December 2011, the Group did not have any outstanding bank borrowing. Total current liabilities of the Group were HK$112,397,000 (2010: HK$113,847,000), which mainly comprised trade and other payables, convertible notes and the related financial derivatives. Total non-current liabilities of the Group were approximately HK$26,105,000 (2010: HK$49,435,000), which comprised the convertible notes. Total liabilities of the Group were approximately HK$138,502,000 (2010: HK$163,282,000). As at 31 December 2011, the Group had net liabilities of HK$14,714,000 (2010: HK$51,882,000 net liabilities). Gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 1.1 as at 31 December 2011 (2010: 1.5).

Share Capital

As at 1 January 2011, 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$655,385,000 divided into 1,310,770,439 shares of HK$0.50 each.

Convertible Notes

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

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

The aggregate principal of Convertible Notes 2011 B amounted to HK$36,200,000, bearing an interest of 1% per annum, initially maturing in 6 months from the date of issue, and convertible into ordinary shares at conversion price of HK$0.50 per share, subject to adjustments. On 11 November 2011, the maturity date was successfully postponed for another 6 months to 11 May 2012.

As at 31 December 2011, the aggregate outstanding principal amount of the Convertible Notes 2011 A and Convertible Notes 2011 B were HK$66,199,934. The exercise in full of the vested conversion rights would result in the issue and allotment of 132,399,868 new shares of the Company.

On 21 July 2011, the Group entered into a subscription agreement with a group of independent subscribers for the issuance of some convertible notes in the aggregate principal amount of HK$42,000,000, bearing an interest rate of 3% per annum, maturing in 12 months from the date of issue, and convertible into ordinary shares at conversion price of HK$0.50 per share, subject to adjustments. Subsequently, the Group issued two tranches of convertible notes ("Convertible Notes 2011 C") on 25 August 2011 for the principal amount of HK$19,500,000 and ("Convertible Notes 2011 D") on 14 September 2011 for the principal amount of HK$22,500,000.

As at 31 December 2011, the aggregate outstanding principal amount of the Convertible Notes 2011 C and Convertible Notes 2011 D were HK$22,500,000. The exercise in full of the vested conversion rights would result in the issue and allotment of 45,000,000 new shares of the Company.

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions were denominated in Hong Kong dollars and Renminbi. Although the exchange rate between Hong Kong dollars and Renminbi has been moderately changing, it remains relatively stable. As 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 as minimal. As at 31 December 2011, 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 2011, no significant investments were made by the Group. (2010: 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 2011. (2010: nil)

OPERATIONAL OVERVIEW

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% profits-sharing percentage during the year 2010 while all other terms and conditions thereunder are no less favourable than those under the Joint Construction Agreement.

Employee Information

As at 31 December 2011, the Group had a total of 43 employees (2010: 64 employees) (including executive directors). For the year under review, the total staff costs amounted to approximately HK$16,072,000 (2010: HK$9,542,000), representing an increase of approximately 65.1% over the previous year. The increase in staff costs was mainly attributed to the increase in lay-off payments in the process of scaling down.

The salaries and benefits of the Group's employees were kept at a market level and employees were 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 contribution to the mandatory provident fund and share options. No share options were granted to employees of the Group in the current year, whereby comparative details are set out in note 36 to the financial statements.

PROSPECTS

During the year 2011, the Group has expanded its horizon into new business sectors, bringing new business elements into the existing technological base. The proposal for an extension to medical health services has been initiated and achieved progress. The Group will continue our efforts in 2012 and expect material outcome.

In the meanwhile, the Group's business strategy extending into the booming online ticketing sales sector has achieved significant progress and is in its final stage. Subject to completion, the Group anticipates an increase in revenue and a sustainable growth in the new sector.

The new business challenges ahead rely on our technical team in developing high level computer software, not only that is capable of integrating new service platform in the internet, but also with an increasing demand to heighten security measures for comprehensive system integrity as well as protection of privacy for users of the systems.

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, increase the shareholders' value and reduce business risk.

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.

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 2011 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 is committed to maintaining high standard of corporate governance and has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules by making its best effort (i) to respect the rights of the shareholders and fully recognise the legitimate interests of the shareholders; (ii) to disclose information to shareholders in a timely manner and to increase the transparency of the Company; (iii) to enhance the risk management and internal control policies of the Company; and (iv) to maintain responsible decision making so as to safeguard the interests of the shareholders and the Company as a whole.

Save as the deviations as disclosed in this announcement, the Company has complied with all the code provisions on corporate governance practices as set out in the GEM Listing Rules.

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

Hong Kong, 23 March 2012

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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 no misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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.