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 2009

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 2009, together with the comparative audited figures for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Turnover	*3*	**23,253**	26,692
Cost of sales		**(19,398)**	(8,659)
Gross profit		**3,855**	18,033
Other income	*4*	**3,192**	161
Selling expenses		**(2,159)**	(2,157)
Administrative expenses		**(43,290)**	(46,368)
Impairment loss on goodwill	*10*	**(326,115)**	(321,483)
Impairment loss on other intangible assets		**(33,060)**	—
Loss from operations		**(397,577)**	(351,814)
Finance costs, net	*5*	**(78,059)**	(12,589)
Loss before tax	*6*	**(475,636)**	(364,403)
Income tax credit (expense)	*7*	**258**	(1,459)
Loss for the year		**(475,378)**	(365,862)
Dividend	*8*	**—**	—
Loss for the year		**(475,378)**	(365,862)
Loss for the year attributable to:			
Owners of the Company		**(479,757)**	(365,862)
Non-controlling interests		**4,379**	—
		(475,378)	(365,862)
Loss per share	*9*		
— Basic		**(129.45 cents)**	(209.30 cents) (restated)
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Loss for the year	**(475,378)**	(365,862)
Other comprehensive loss		
Exchange difference arising on translation of foreign operations	**600**	3,454
Total comprehensive loss for the year	**(474,778)**	(362,408)
Total comprehensive loss attributable to:		
Owners of the Company	**(479,157)**	(362,408)
Non-controlling interests	**4,379**	—
	(474,778)	(362,408)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Goodwill	10	**31,506**	326,115
Other intangible assets		**265**	36,907
Owner-occupied leasehold interest in land		**1,039**	—
Property, plant and equipment		**8,732**	6,751
Financial derivative		**316**	64,455
Deposits		**—**	5,650
		41,858	439,878
CURRENT ASSETS			
Inventories		**132**	25
Trade and other receivables	11	**14,848**	12,478
Amount due from minority shareholder of a subsidiary		**460**	—
Owner-occupied leasehold interest in land		**40**	—
Tax recoverable		**—**	2,110
Bank balances and cash		**37,218**	2,636
		52,698	17,249
CURRENT LIABILITIES			
Trade and other payables	12	**25,045**	3,568
Tax payable		**252**	—
Amounts due to directors		**116**	251
		25,413	3,819
NET CURRENT ASSETS		**27,285**	13,430
TOTAL ASSETS LESS CURRENT LIABILITIES		**69,143**	453,308
CAPITAL AND RESERVES			
Share capital	13	**236,282**	141,382
Reserves	13	**(476,356)**	(78,579)
Non-controlling interests		**3,768**	—
TOTAL EQUITY		**(236,306)**	62,803
NON-CURRENT LIABILITIES			
Other loan		**49,435**	
Financial derivative		**1,640**	—
Convertible loan notes		**254,374**	341,070
		305,449	390,505
		69,143	453,308

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$236,306,000 as at 31 December 2009.

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;

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

4. On 29 July 2000, Hunan IIN Medical Network Technology Development Co., Ltd. (湖南國訊醫藥網絡科技開發有限公司) ("Hunan IIN Medical"), a wholly-owned subsidiary of the Company acquired during the year ended 31 December 2009, entered into Joint Construction of Network Education College of Beijing University of Chinese Medicine Agreement (共建北京中醫藥大學網絡教育學院協議書) ("Joint Construction Agreement") with Beijing University of Chinese Medicine (北京中醫藥大學) for operating 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"). Under the Joint Construction Agreement, Hunan IIN Medical is entitled to share 60% of Distance Education College's net profit. For the year ended 31 December 2009, Distance Education College generated a revenue of approximately RMB30,265,000 (equivalent to approximately HK$34,307,000) and net profit of approximately RMB16,189,000 (equivalent to approximately HK$18,361,000). The Joint Construction Agreement will expire on 1 August 2010. The directors of the Company expect that the Joint Construction Agreement will be renewed with profit sharing percentage no less than 51% and other terms and conditions under the renewed agreement no less favourable than those under the existing agreement.

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 applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — INT 13	Customer Loyalty Programmes
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The application of the above new and revised 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 and revised Standards, Amendments and Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised Standards, Amendments and Interpretations will have no material impact on the Group's results and financial position.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

3. TURNOVER

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

	2009	2008
	HK$'000	*HK$'000*
Tuition fee revenue	**23,239**	26,615
Sales of educational products	**14**	—
Operational software application products	**—**	77
	23,253	26,692

Business segments

Over 90% 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.

4. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Exchange gain	**65**	—
Interest income	**25**	149
Sundry income	**145**	12
Gain on redemption of convertible loan notes	**1,982**	—
Rental income	**975**	—
	3,192	161

5. FINANCE COSTS, NET

	2009	2008
	HK$'000	*HK$'000*
Interest expenses on financial liabilities measured at amortised cost	**35,220**	31,686
Fair value changes on financial derivative	**42,839**	(19,097)
	78,059	12,589

6. LOSS BEFORE TAX

	2009	2008
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
— basic salaries and allowances	**8,904**	8,226
— contributions to defined contribution plans	**43**	27
— share-based payment expense	**18,851**	24,632
— miscellaneous	**50**	100
Total staff costs	**27,848**	32,985
Auditors' remuneration	**300**	300
Depreciation of property, plant and equipment		
— included in cost of sales	**1,002**	487
— included in selling expenses	**11**	3
— included in administrative expenses	**605**	491
	1,618	981
Amortisation of other intangible assets	**4,572**	3,404
Amortisation of owner-occupied leasehold interest in land	**45**	—
Impairment loss on goodwill	**326,115**	321,483
Impairment loss on other intangible assets	**33,060**	—
Impairment loss on inventories	**95**	9
Impairment loss on trade receivables	**916**	—
Impairment loss on other receivables	**757**	468
Loss on disposal of property, plant and equipment	**124**	—
Research and development costs	**—**	18
Operating leases charges In respect of:		
— premises	**5,236**	4,035
— others	**167**	69
	5,403	4,104
Interest expenses on financial liabilities measured at amortised cost	**35,220**	31,686
Fair value changes on financial derivative	**42,839**	(19,097)
Exchange (gain) loss	**(65)**	9
Interest income	**(25)**	(149)
Gain on redemption of convertible loan notes	**(1,982)**	—

7. INCOME TAX (CREDIT) EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current taxation:		
— The PRC	**252**	1,459
Over-provision in prior year:		
— The PRC	**(510)**	—
Income tax (credit) expense	**(258)**	1,459

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 (2008: 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 2009, 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 (credit) expense for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss before tax	**(475,636)**	(364,403)
Tax at respective applicable tax rates	**(82,110)**	(59,738)
Tax effect of expenses not deductible for tax purposes	**80,863**	60,974
Tax effect of income not taxable for tax purposes	**(1,200)**	(20)
Tax effect of tax losses not recognised	**3,332**	242
Tax effect of exemption granted to non-profit making institute	**(633)**	—
Over-provision in prior year	**(510)**	—
Tax effect of exemption granted to subsidiaries	**—**	1
Income tax (credit) expense for the year	**(258)**	1,459

8. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

9. 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$479,757,000 (2008: HK$365,862,000), and based on the weighted average number of shares in issue during the year of approximately 370,591,000 ordinary shares (2008: approximately 174,798,000 ordinary shares, restated as the share consolidation effective from 17 December 2009 set out in note 28(g) to the financial statements), as adjusted to reflect the issue of new shares 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	**2009** ***'000***	2008 *'000* (restated)
Issued ordinary shares at 1 January	**282,764**	50,728
Effect of issue of new shares	**22,915**	90,411
Effect of exercise of share options	**—**	10
Issue of share by conversion of convertible loan notes	**64,912**	33,649
Weighted average number of ordinary shares	**370,591**	174,798

The weighted average number of ordinary shares for the year ended 31 December 2008 was adjusted retrospectively due to share consolidation in 2009.

As the share options and conversion shares outstanding during the years 2009 and 2008 were anti-dilutive to the Group's loss per share, diluted loss per share were not adjusted in this respect for the years 2009 and 2008.

10. GOODWILL

	The Group *HK$'000*
COST	
At 1 January 2008	—
Acquisition of subsidiaries during the year	647,598
At 31 December 2008 and 1 January 2009	647,598
Acquisition of subsidiaries during the year *(note (a))*	31,222
Acquisition of non-controlling interests of a subsidiary during the year *(note (b))*	284
At 31 December 2009	679,104
IMPAIRMENT	
At 1 January 2008	—
Impairment loss recognised during the year	(321,483)
At 31 December 2008 and 1 January 2009	(321,483)
Impairment loss recognised during the year	(326,115)
At 31 December 2009	(647,598)
CARRYING VALUE	
At 31 December 2009	31,506
At 31 December 2008	326,115

Note:

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

(b) 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

a. Acquisition of New Beida Business StudyNet Group Limited ("New Beida")

During the year ended 31 December 2009, the Group has 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 is expected to continue in the foreseeable future, the directors of the Company are of the opinion that the income approach is inappropriate to reflect the value of New Beida as at 31 December 2009. The asset-based approach has 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 has 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.

b. Acquisition of IIN Medical (BVI)

During the year ended 31 December 2009, the Group has performed an impairment testing of goodwill arose on acquisition of IIN Medical (BVI) with reference to a valuation carried out by LCH, based on cash flow forecasts derived from the most recent financial budgets for the next five years with a discount rate of 16.25%, while the remaining forecast beyond that five-year period has been extrapolated with reference to an annual growth rate of 2.4%. In addition, the valuation has been performed on the basis that the directors of the Company expect that the Joint Construction Agreement will be renewed with terms and conditions no less favourable than those of the existing agreement. The directors of the Company are of the opinion, based on the business valuation, that there was no impairment on goodwill arose from the acquisition of IIN Medical (BVI) as at 31 December 2009.

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.

11. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**916**	585	**—**	—
Less: impairment loss on trade receivables	**(916)**	—	**—**	—
	—	585	**—**	—
Deposits and other receivables	**13,524**	11,067	**1**	—
Less: impairment loss on other receivables	**(1,176)**	(468)	**—**	—
Prepayments	**2,500**	1,294	**1,138**	931
	14,848	12,478	**1,139**	931

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

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 30 days	**—**	6	**—**	—
31 to 60 days	**—**	—	**—**	—
61 to 90 days	**—**	14	**—**	—
Over 90 days	**—**	565	**—**	—
	—	585	**—**	—

General credit term that the Group offers to customers is 30 days from billing.

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		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**—**	—	**—**	—
Impairment of trade receivables	**916**	—	**—**	—
At 31 December	**916**	—	**—**	—

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

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**468**	—	**—**	—
Impairment of other receivables	**757**	468	**—**	—
Amount written-back	**(70)**	—	**—**	—
Exchange realignment	**21**	—	**—**	—
At 31 December	**1,176**	468	**—**	—

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:

	The Group		The Company	
	2009	2008	**2009**	2008
United States dollars (US$'000)	**—**	7	**—**	—
Renminbi (RMB'000)	**7,991**	5,320	**—**	—

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**1,179**	1,109	**—**	—
Other payables	**20,666**	1,203	**100**	—
Trade deposit received	**—**	50	**—**	—
Receipt in advance	**1,150**	—	**—**	—
Accrued charges	**2,050**	1,206	**902**	776
	25,045	3,568	**1,002**	776

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

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 30 days	**—**	447	**—**	—
31 to 60 days	**—**	488	**—**	—
61 to 90 days	**—**	152	**—**	—
Over 90 days	**1,179**	22	**—**	—
	1,179	1,109	**—**	—

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:

	The Group		The Company	
	2009	2008	**2009**	2008
Renminbi (RMB'000)	**14,584**	2,340	**—**	—

13. SHARE CAPITAL AND RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the annual report.

(b) The Company

	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$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2008	25,364	41,562	5	24,415	—	—	(69,797)	—	21,549
Loss for the year	—	—	—	—	—	—	(365,862)	—	(365,862)
Other comprehensive loss	—	—	—	—	3,454	—	—	—	3,454
Total comprehensive loss for the year	—	—	—	—	3,454	—	(365,862)	—	(362,408)
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)
At 31 December 2008 and 1 January 2009	**141,382**	**130,605**	**24,632**	**24,415**	**3,454**	**173,974**	**(435,659)**	**—**	**62,803**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(479,757)**	**4,379**	**(475,378)**
Other comprehensive loss	**—**	**—**	**—**	**—**	**600**	**—**	**—**	**—**	**600**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**600**	**—**	**(479,757)**	**4,379**	**(474,778)**
Dividends paid to non-controlling interests of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,379)**	**(4,379)**
Acquisition of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,768**	**3,768**
Issue of new shares by top-up placing	**28,000**	**22,400**	**—**	**—**	**—**	**—**	**—**	**—**	**50,400**
Issue of shares by conversion of convertible loan notes	**66,900**	**77,320**	**—**	**—**	**—**	**(53,145)**	**—**	**—**	**91,075**
Redemption of convertible loan notes	**—**	**—**	**—**	**—**	**—**	**(7,944)**	**—**	**—**	**(7,944)**
Share issue expenses	**—**	**(1,181)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,181)**
Employee share option benefits	**—**	**—**	**18,851**	**—**	**—**	**—**	**—**	**—**	**18,851**
Equity component of convertible loan notes	**—**	**—**	**—**	**—**	**—**	**25,079**	**—**	**—**	**25,079**
Forfeited reserves of subsidiary*	**—**	**—**	**—**	**(24,415)**	**—**	**—**	**24,415**	**—**	**—**
At 31 December 2009	**236,282**	**229,144**	**43,483**	**—**	**4,054**	**137,964**	**(891,001)**	**3,768**	**(236,306)**

* During the year, a subsidiary of the Group, named ProSticks BVI Limited, was deregistered and its capital reserve was transferred to accumulated losses.

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 2009 contains a modified auditor's opinion:

"Basis for disclaimer of opinion

The Group incurred a loss for the year ended 31 December 2009 of approximately HK$475,378,000 and, as at 31 December 2009, the Group reported consolidated net liabilities of approximately HK$236,306,000. In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As detailed in note 2 to the financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position. The financial statements have been prepared on a going concern basis, the validity of which depends upon the extension of the maturity date of other loan and outstanding convertible loan notes amount on maturity date. The financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made in the financial statements concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of the fundamental uncertainty relating to the going concern basis, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group recorded a turnover of approximately HK$23,253,000 (2008: HK$26,692,000) representing a decrease of approximately 12.9% compared to the previous year. The decrease in turnover was mainly due to the combined effect of: 1) impact of the global financial tsunami on the banking industry in China which adversely affected the performance of New Beida, its turnover decreased from approximately HK$26,615,000 in 2008 to approximately HK$948,000 in 2009, and 2) the acquisition of IIN Medical Group on 23 April 2009, which contributed turnover of approximately HK$22,305,000 to the Group for the year ended 31 December 2009. Gross profit margin decreased to approximately 16.6% for the year ended 31 December 2009 from approximately 67.6% for the year ended 31 December 2008. The decrease in gross profit margin was primarily due to the substantial decrease in New Beida's turnover while its cost of sales, mainly comprised fixed overheads, remained at a level similar to that of 2008. The decrease was also attributable to the lower gross profit margin of IIN Medical Group, compared to that of New Beida in 2008.

Other income for the year under review increased from approximately HK$161,000 in 2008 to approximately HK$3,192,000. It was mainly attributable to the Company's gain on redemption of convertible loan notes on 5 October 2009 and rental income generated from New Beida during the year of approximately HK$1,982,000 and HK$975,000 respectively.

Although IIN Medical Group's operational results were incorporated into the Group's results for the year ended 31 December 2009, administrative expenses of the Group decreased from approximately HK$46,368,000 in 2008 to approximately HK$43,290,000 in 2009. It was mainly attributable to the decrease in share-based payment expenses from approximately HK$24,632,000 in 2008 to approximately HK$18,851,000 in 2009 and the measures taken by the management to reduce overheads and costs during the year under review.

Due to the poor performance of New Beida, the management reassessed the recoverable amount of goodwill associated with the acquisition of New Beida and of New Beida's other assets. The Group recorded impairment loss on goodwill and intangible assets of approximately HK$326,115,000 and HK$33,060,000 respectively during the year under review.

Finance costs increased from approximately HK$12,589,000 in 2008 to approximately HK$78,059,000 in 2009. Finance costs primarily consist of accretion of interest on the liability portion of convertible loan notes of approximately HK$35,220,000 (2008: HK$31,686,000) and fair value changes on the derivative portion of convertible loan notes of approximately HK$42,839,000 (2008: gain of HK$19,097,000)

As a result, the consolidated loss for the year increased from approximately HK$365,862,000 in 2008 to approximately HK$475,378,000 in 2009.

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 2009, the Group had current assets of approximately HK$52,698,000 (2008: HK$17,249,000), including bank balances and cash of approximately HK$37,218,000 (2008: HK$2,636,000). Total non-current assets of the Group amounted to approximately HK$41,858,000 (2008: HK$439,878,000), which comprised goodwill, other intangible assets, financial derivative in relation to the convertible loan notes, property, plant and equipment and owner-occupied leasehold interest in land. Total assets of the Group amounted to approximately HK$94,556,000 as at 31 December 2009 (2008: HK$457,127,000).

As at 31 December 2009, the Group did not have any outstanding bank borrowing. Total current liabilities of the Group amounted to approximately HK$25,413,000 (2008: HK$3,819,000), which mainly comprised the amounts due to directors, tax payable and trade and other payables. Total non-current liabilities of the Group amounted to approximately HK$305,449,000 (2008: HK$390,505,000), which comprised the convertible loan notes, financial derivative in relation to the convertible loan notes and other loan. Total liabilities of the Group amounted to approximately HK$330,862,000 (2008: HK$394,324,000). As at 31 December 2009, the Group had net liabilities of HK$236,306,000 (2008: net assets of HK$62,803,000). Gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, was approximately 3.50 as at 31 December 2009 (2008: 0.86).

Share Capital

Placing of shares

On 3 August 2009, an aggregate of 190,000,000 ordinary shares were placed at HK$0.18 per share pursuant to a top-up placing and subscription agreement entered into on 20 July 2009. The net proceeds from the placement amounted to approximately HK$33.35 million.

On 5 August 2009, an aggregate of 90,000,000 ordinary shares were placed at HK$0.18 per share pursuant to a placing agreement entered into on 20 July 2009. The net proceeds from the placement amounted to approximately HK$15.8 million.

Share consolidation

On 17 December 2009, consolidation of every five ordinary shares of HK$0.10 each into one ordinary shares of HK$0.50 each became effective.

Convertible Notes

Pursuant to the acquisition of 100% interest in New Beida and its subsidiaries during the year ended 31 December 2008, the Company issued convertible notes ("Convertible Notes 2008") as partial settlement of the acquisition consideration. The principal terms of the Convertible Notes 2008 are as follows:

Date of issue:	27 February 2008
Aggregate principal amount:	HK$720,000,000
Interest rate per annum:	The notes do not bear any interest
Conversion price applicable:	HK$0.20 per share (subsequently adjusted to HK$0.98 per share due to the above-mentioned placing of shares and share consolidation), subject to adjustments
Maturity date:	36 months from the date of issue

As at 31 December 2009, the aggregate outstanding principal amount of the Convertible Notes 2008 was HK$284,200,000 (2008: HK$438,000,000).

Set out below are details of conversion of the Convertible Notes 2008 during the year:

Date of Conversion	**Principal Amount of the Convertible Notes** *HK$*	**Number of Ordinary Shares Issued** *(adjusted due to share consolidation)*
10 June 2009	49,000,000	49,000,000
18 June 2009	44,000,000	44,000,000
29 June 2009	13,600,000	13,600,000
10 September 2009	13,600,000	13,600,000
16 October 2009	13,600,000	13,600,000

On 5 October 2009, Convertible Notes 2008 in the principal amount of HK$20 million were redeemed.

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. The principal terms of the Convertible Notes 2009 are as follows:

Date of issue:	23 April 2009
Aggregate principal amount:	HK$32,770,000
Interest rate per annum:	The notes do not bear any interest
Conversion price applicable:	HK$0.32 per share (subsequently adjusted to HK$1.57 per share due to the above-mentioned placing of shares and share consolidation), subject to adjustments
Maturity date:	Principal amount of approximately HK$20,150,000 matured in 48 months from the date of issue and the remaining principal amount of approximately HK$12,620,000 matured in 24 months from the date of issue

As at 31 December 2009, the aggregate outstanding principal amount of the Convertible Notes 2009 was HK$32,770,000.

Foreign exchange exposure

All the Group's assets, liabilities and transactions are denominated in Renminbi or Hong Kong 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 2009.

OPERATIONAL REVIEW

Impact of the global financial tsunami on the banking industry in China has adversely affected the performance of New Beida. As the projects co-operated with the China Banking Association were considered unsuccessful, New Beida has shifted its focus to providing training program to practitioners in other industries. Given the uncertainties in New Beida's existing operations, the management reassessed the recoverable amount of goodwill in relation to the acquisition of New Beida and of its other assets. As a result, the Group recorded impairment loss on goodwill and intangible assets of HK$326,115,000 and HK$33,060,000 respectively.

On 23 April 2009, the Group completed the acquisition of IIN Medical Group. Since then, IIN Medical Group have contributed approximately HK$22,305,000 to the Group's revenue and profit of approximately HK$3,405,000 to the Group's results.

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 2000 will expire on 1 August 2010. In accordance with the Joint Construction Agreement, Hunan IIN Medical is entitled 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"). While the Group is in the process of negotiating with the counterparty to renew the Joint Construction Agreement, the Company's directors expect that the Joint Construction Agreement will be renewed with profit sharing percentage no less than 51% and other terms and conditions thereunder no less favourable than those under the Joint Construction Agreement.

Employee information

As at 31 December 2009, the Group had a total of 56 employees (2008: 82 employees) (including executive directors). For the year under review, the total staff costs amounted to approximately HK$27,848,000 (2008: HK$32,985,000), representing a decrease of approximately 15.6% over the previous year. The decrease in staff costs was mainly attributable to the decrease in share-based payment expenses from approximately HK$24,632,000 in 2008 to approximately HK$18,851,000 in 2009.

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, details are set out in note 35 to the financial statements.

PROSPECTS

Given the uncertainties in New Beida's existing operations, we will reorganise its business by discontinuing certain loss-making and risky projects in order to minimise the Group's exposure to financial as well as business risks. As we expect IIN Medical Group will continue to contribute stable income as well as cash flows to the Group, we will continue to focus on developing new continuous 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 in order to provide additional funding to the Group. In the meantime, the Group will continue to look for opportunities for our existing business 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 Ms. Chan Hoi Ling (the chairman of the committee), Dr. Wong Yun Kuen and Dr. Huang Chung Hsing. In 2009, the audit committee held 4 meetings. The Group's consolidated financial statements for the year ended 31 December 2009 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 MESSRS. LO AND KWONG C.P.A. COMPANY 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 2009 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

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 2009, 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. Currently, no service contracts have been entered into between the Independent Non-Executive Directors and the Company. Each of the Independent Non-Executive Directors is subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

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

Hong Kong, 29 March 2010

The Board as of the date of this announcement comprises Mr. Chen Hong, Ms. Wang Hui and Ms. Wei Jianya 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.