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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)

2009 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 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.

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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 (“Directors”) of China E-Learning Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2009, together with the comparative unaudited figures of the corresponding period in 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		For the three months	
		ended 31 March	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	276	7,427
Cost of sales		(2,161)	(668)
Gross (loss)/profit		(1,885)	6,759
Other income	3	2	125
Administrative expenses		(4,687)	(3,006)
(Loss)/profit from operations		(6,570)	3,878
Finance costs	4	(10,479)	—
(Loss)/profit before taxation		(17,049)	3,878
Taxation	5	—	(971)
(Loss)/profit for the period		(17,049)	2,907
Dividend	7	—	—
Basic (loss)/profit per share	6	(1.2) cents	0.52 cents
Diluted (loss)/profit per share	6	N/A	0.15 cents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all applicable Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on GEM.

The basis of preparation and accounting policies applied in the preparation of the quarterly financial statements are consistent with those adopted in the Company's annual financial statements for the year ended 31 December 2008.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2009 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

2. TURNOVER

Turnover represents revenue of the Group from the provision of occupational education, industry certification course, skills training and education consultation. Turnover comprises the following:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2009	2008
	HK\$'000	HK\$'000
Online professional training and multi-media education products income	276	7,350
System services and maintenance income	—	77
	276	7,427

3. OTHER INCOME

Other income represents interest income.

4. FINANCE COSTS

Finance costs represent interest expense on convertible notes stated at amortized cost.

5. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods.

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the statutory enterprise income tax rate of 25% is applied to the group companies which operated in the PRC.

The amount of taxation charged to the unaudited condensed consolidated income statement represented:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2009	2008
	HK\$'000	HK\$'000
PRC enterprise income tax	<u>—</u>	<u>971</u>

6. (LOSS)/PROFIT PER SHARE

The calculation of the basic and diluted (loss)/profit per share attributable to the ordinary equity holders of the Company is based on the following data:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2009	2008
	HK\$'000	HK\$'000
Unaudited (loss)/profit for the period for the purposes of basic and diluted (loss)/profit per share	<u>(17,049)</u>	<u>2,907</u>
Weighted average number of ordinary shares for the purpose of basic (loss)/profit per share	<u>1,413,819,475</u>	<u>561,334,158</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/profit per share	<u>N/A</u>	<u>1,906,877,624</u>

Diluted loss per share for three months ended 31 March 2009 was not presented because the Company's shares options and convertible loan notes outstanding during the three months ended 31 March 2009 had an anti-dilutive impact.

7. DIVIDEND

The Directors do not recommend payment of any dividend for the three months ended 31 March 2009. (2008: nil).

8. MOVEMENT OF RESERVES (UNAUDITED)

	Share-based Premium	Share-based payment reserve	Capital reserve	Exchange Reserve	Conversion note equity reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 1 January 2008	41,562	5	24,415	—	—	(69,797)	(3,815)
Profit for the period	—	—	—	—	—	2,907	2,907
Issue of new shares	25,000	—	—	—	—	—	25,000
Share issue expenses	(1,975)	—	—	—	—	—	(1,975)
Exchange differences on translation of the financial statements of PRC subsidiaries	—	—	—	2,049	—	—	2,049
As of 31 March 2008	<u>64,587</u>	<u>5</u>	<u>24,415</u>	<u>2,049</u>	<u>—</u>	<u>(66,890)</u>	<u>24,166</u>
As of 1 January 2009	130,605	24,632	24,415	3,454	173,974	(435,659)	(78,579)
Loss for the period	—	—	—	—	—	(17,049)	(17,049)
Exchange differences on translation of the financial statements of PRC subsidiaries	—	—	—	(147)	—	—	(147)
As of 31 March 2009	<u>130,605</u>	<u>24,632</u>	<u>24,415</u>	<u>3,307</u>	<u>173,974</u>	<u>(452,708)</u>	<u>(95,775)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Online professional training business

During the first quarter of 2009, due to the global financial crisis, demand for continued education in the financial industry slowed down. Turnover for the first quarter of 2009 has therefore dropped significantly compared to that for the last corresponding period.

Operational software application products

Due to the fierce competition in the market of operational application software and increasing operational costs, the Group has shifted its focus to developing online professional training and multimedia education business after the completion of its acquisition of New Beida Business StudyNet Group Limited on 27 February 2008. Since then, the Group has not obtained any new contract in this segment.

FINANCIAL REVIEW

During the three months ended 31 March 2009, the Group recorded turnover of approximately HK\$276,000, representing a decrease of 96% compared with approximately HK\$7,427,000 in the last corresponding period.

The Group's net loss attributable to equity holders of the Company was approximately HK\$17,049,000 in contrast to net profit of approximately HK\$2,907,000 in the last corresponding period.

The increase in net loss reflects the slowdown in demand for continued education in the financial industry resulted from the global financial crisis and the interest expense incurred on the convertible notes.

Convertible Notes

As at 31 March 2009, the aggregate outstanding principal amount of the Convertible Notes was HK\$438,000,000. The exercise in full of conversion rights vested with the Company's outstanding Convertible Notes would result in the issue and allotment of 2,190,000,000 new Shares in the Company.

OUTLOOK

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

On 23 April 2009, the acquisition of the entire equity interest of a company engaged in the provision of distance learning courses of advanced Chinese medicine, distance continuing education of Chinese medicine and sub-healthiness services in the PRC was completed.

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2009, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Directors	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary shares	Share options	Total	
Chen Hong	Beneficial owner	90,000,000	9,500,000	99,500,000	7.04%
Li Xiangjun	Beneficial owner	100,000,000	7,000,000	107,000,000	7.57%
Wang Hui	Beneficial owner	—	9,000,000	9,000,000	0.64%
Liang Juan	Beneficial owner	—	2,000,000	2,000,000	0.14%
Wei Jianya	Beneficial owner	—	4,000,000	4,000,000	0.28%

Save as disclosed above, as at 31 March 2009, none of the other Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of Shareholder	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Yang Dong Jun (<i>Note 1</i>)	Beneficial owner	614,736,000	43.48%
Huang Qun (<i>Note 2</i>)	Beneficial owner	318,616,000	22.54%
Gong Di Qing (<i>Note 3</i>)	Beneficial owner	300,250,000	21.24%
Jia Zhe Jin (<i>Note 4</i>)	Beneficial owner	181,000,000	12.80%
Chen Xiaoming	Beneficial owner	167,928,000	11.88%
Atlantis Investment Management Ltd	Investment manager	168,000,000	11.88%
GE Asset Management Incorporated	Investment manager	86,384,000	6.11%
Chu Yuet Wah (<i>Note 5</i>)	Interest of controlled corporations	80,000,000	5.66%
Sino Tactic Group Limited (<i>Note 6</i>)	Beneficial owner	505,000,000	35.72%

Notes:

1. Interests in 614,736,000 shares or underlying shares comprise interest in 114,736,000 Shares and interest in 500,000,000 underlying Shares representing the conversion rights attached to the convertible notes in the principal amount of HK\$100,000,000.
2. Interests in 318,616,000 shares or underlying shares comprise interest in 118,616,000 shares and interest in 200,000,000 underlying shares representing the conversion rights attached to the convertible notes in the principal amount of HK\$40,000,000.
3. Interests in 300,250,000 shares or underlying shares comprise interest in 250,000 shares and interest in 300,000,000 underlying shares representing the conversion rights attached to the connectible notes in the principal amount of HK\$60,000,000.
4. Interest in 181,000,000 shares or underlying shares, representing the conversion rights attached to the convertible notes in the principal amount of HK\$36,200,000.
5. Interests in 80,000,000 shares or underlying shares comprise interest in 36,449,000 shares held by Boyce Limited and security interest of an aggregate of 43,551,000 shares of Kingston Finance Limited. Boyce Limited is wholly owned by Rony Limited which is in turn wholly owned by Mrs. Chu Yuet Wah. Kingston Finance Limited has a security interest of an aggregate of 43,551,000 shares held by Magic Key International Holdings Limited.
6. Interests in the underlying shares represent the conversion rights attached to the convertible notes of a principal amount of HK\$101,000,000.

Save as disclosed above, as at 31 March 2009, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 in the GEM Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors, substantial shareholders of the Company and their respective associates had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 31 March 2009, the committee comprised three independent non-executive Directors, namely Dr. Wong Yun Kuen, Ms. Chan Hoi Ling and Dr. Huang Chung Hsing.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2009 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 14 May 2009

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