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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)

**CLARIFICATIONS**  
**RELATED TO**  
**PROPOSED ISSUE OF CONVERTIBLE NOTES**

Reference is made to the announcement of the Company dated 9 May 2014 (the “**Announcement**”) in relation to the Subscription of the Convertible Notes in the aggregate principal amount of HK\$42,399,932 to be issued by the Company pursuant to the Subscription Agreements. Unless the context otherwise requires, capitalized terms and expressions used herein shall have the same meanings as those defined in the Announcement.

The Company would like to clarify the terms and conditions of the Convertible Notes in respect of the adjustments to the Conversion Price.

**Adjustment Provisions**

The Conversion Price will be adjusted in accordance with the relevant provisions of the Convertible Notes upon the occurrence of the following events and in the following manner:

- (a) If the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the revised nominal amount; and

B = the former nominal amount.

- (b) If the Company issues (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C+D}$$

where:

C = the aggregate nominal amount of the issued Shares immediately before such issue; and

D = the aggregate nominal amount of the Shares issued in such capitalisation.

- (c) If the Company makes any capital distribution (except where, and to the extent that, the Conversion Price falls to be adjusted under paragraph (b) above) to the Shareholders or the Company grants to such Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the market price of the Shares on the date on which the capital distribution or the grant is publicly announced or (failing any such announcement) next preceding the date of the capital distribution or of the grant; and

F = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined by the auditors of the Company or an approved merchant bank of the portion of the capital distribution or of such rights which is attributable to one Share;

- (d) If the Company offers to the Shareholders new Shares for subscription by way of rights, or shall grant to the Shareholders any options, warrants or other rights to subscribe for or purchase any Shares, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{G + \frac{H \times I}{J}}{G + H}$$

where:

G = the number of Shares in issue immediately before the date of such announcement;

H = the aggregate number of Shares so offered for subscription or so granted for subscription or purchase;

I = the amount (if any) payable for the rights, options or warrants or other rights to subscribe for or purchase each new Share, plus the subscription or purchase price payable for each new Share; and

J = the greater of either 95% of the closing price per Share on the trading day immediately prior to such announcement or the Conversion Price in effect immediately prior to the trading day immediately prior to such announcement.

- (e) (i) If the Company issues wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total consideration receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights per Share initially receivable for such securities is less than the greater of either 95% of the closing price per Share as at the date of the announcement of the terms of issue of such securities or the Conversion Price in effect immediately prior to the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at the applicable price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities, at the initial conversion or exchange rate or subscription price.
- (ii) If the rights of conversion or exchange or subscription attached to any such securities as are mentioned in sub-paragraph (i) of this paragraph (e) are modified so that the total effective consideration per Share initially receivable for such securities shall be less than the greater of either 95% of the closing price per Share as at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription or the Conversion Price in effect immediately prior to the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange rate or subscription price would purchase at the applicable price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.
- (f) If the Company issues wholly for cash any Shares (other than Shares issued pursuant to an employee share option scheme of the Company) at a price per Share which is less than the greater of either 95% of the closing price per Share as at the date of the announcement of the terms of such issue or the Conversion Price in effect immediately prior to the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at the applicable price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

- (g) If the Company issues Shares for the acquisition of assets at a total effective consideration per Share which is less than the greater of either 95% of the closing price per Share as at the date of the announcement of the terms of such issue or the Conversion Price in effect immediately prior to the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{S + T}{S + U}$$

where:

S = the number of Shares in issue immediately before the date of such announcement;

T = the number of Shares which the total effective consideration would purchase at the applicable price;  
and

U = the number of Shares so issued.

The terms “applicable price”, “capital distribution”, “total effective consideration” and “total effective consideration per Share” referred to above shall be determined in accordance with the terms and conditions of the Convertible Notes.

Every adjustment to the Conversion Price will be reviewed by the auditors of the Company or an approved merchant bank. And the Company will issue further announcement(s) for disclosing such adjustment to the Conversion Price.

In the event that as a result of an adjustment to the Conversion Price, the number of Conversion Shares to be issued will exceed the limit of the existing General Mandate, the Company will convene an extraordinary general meeting of its Shareholders as soon as practicable for seeking a specific mandate to the Board to issue such additional Conversion Shares.

By Order of the Board  
**China E-learning Group Limited**  
**Yuan Wei**  
*Executive Director*

Hong Kong, 20 May 2014

*As at the date of this announcement, the Board comprises one executive director, namely Mr. Yuan Wei; one non-executive director, Mr. Li Xiangjun; and three independent non-executive directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy. This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, 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 not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page and the website of the Company at [www.chinae-learning.com](http://www.chinae-learning.com) for at least 7 days from the date of its publication.*