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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)

PROPOSED AMENDMENT TO TERMS AND CONDITIONS OF CONVERTIBLE NOTES

DEEDS OF AMENDMENT RELATING TO CONVERTIBLE NOTES

The Board announces that on 15 August 2014 (after trading hours), the Company and the Noteholders entered into the Deeds of Amendment, pursuant to which the Company and the Noteholders agreed to amend certain terms and conditions of the Convertible Notes. Pursuant to the Deeds of Amendment, (i) the Conversion Price of the Convertible Notes will be reduced from HK\$0.50 per Share to HK\$0.35 per Share; and (ii) the interest rate of the Convertible Notes will be reduced from 1% per annum to zero. Save as amended pursuant to the Deeds of Amendment, all other terms of the Convertible Notes shall remain unchanged and valid.

As at the date of this announcement, the aggregate outstanding principal amount of the Convertible Notes amounts to HK\$60,235,956.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Amendment of Terms pursuant to the requirements under the GEM Listing Rules.

GENERAL

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The issue and allotment of the Conversion Shares under the Specific Mandate, are subject to, inter alia, the approval of the Independent Shareholders at the EGM.

A circular containing, among other things, details of the proposed Amendment of Terms and the notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

If any of the conditions precedent to the completion under the Deeds of Amendment is not satisfied, the Deeds of Amendment will lapse and will not proceed.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

Reference is made to the announcements dated 14 February 2012, 19 March 2012, 2 April 2012, 2 May 2012, 26 June 2012, 17 July 2012, 26 September 2012 and 20 December 2012, and the circular dated 29 June 2012 of the Company in relation to, among other things, the acquisitions of 100% shareholding interest in Everjoy Technology Development Corporation and Everjoy International Media Corporation and the issue of EICN and ETCN.

THE DEEDS OF AMENDMENT

The Board announces that on 15 August 2014 (after trading hours), the Company and the Noteholders entered into the Deeds of Amendment, pursuant to which the Company and the Noteholders agreed to amend certain terms and conditions of the Convertible Notes. Pursuant to the Deeds of Amendment, (i) the Conversion Price of the Convertible Notes will be reduced from HK\$0.50 per Share to HK\$0.35 per Share; and (ii) the interest rate of the Convertible Notes will be reduced from 1% per annum to zero. Save as amended pursuant to the Deeds of Amendment, all other terms of the Convertible Notes shall remain unchanged and valid. As at the date of this announcement, the aggregate outstanding principal amount of the Convertible Notes amounts to HK\$60,235,956.

Details of the Deeds of Amendment and the principal terms of the Convertible Notes (upon the Amendment of Terms becoming effective) are set out below.

Date:

15 August 2014 (after trading hours)

Parties:

- (a) The Company
- (b) The Noteholders

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Noteholders and their nominee(s) (if any) are third party independent of the Company and its connected persons.

Principal terms of the Convertible Notes as amended by Deeds of Amendment

The amended principal terms of the Convertible Notes are arrived at after arm's length negotiation between the Company and the Noteholders. Apart from the Amendment of Terms, all other terms of the Convertible Notes will remain unchanged, material terms of the Convertible Notes as amended pursuant to the Deeds of Amendment are summarised as follows:

Issuers

The Company

Aggregate outstanding principal amount

As at the date of this announcement, In respect of EICN, the aggregate outstanding amount is HK\$58,235,956; and in respect of ETCN, the aggregate outstanding amount is HK\$2,000,000.

Conversion Price	<p>The Conversion Price is HK\$0.35 per Share, which is subject to adjustments for, among other matters, consolidation, reduction or sub-division of Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for Shares.</p> <p>The Conversion Price represents:</p> <ul style="list-style-type: none"> (i) a discount of about 22.22% to the closing price of HK\$0.45 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of about 16.67% to the average closing price of HK\$0.42 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date; and (iii) a discount of about 11.73% to the average closing price of about HK\$0.3965 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Date. <p>The Conversion Price has been determined after arm's length negotiations between the Company and the Noteholders with reference to the then prevailing market price of the Shares.</p>
Interest rate	The Convertible Notes shall carry interest at the rate of 0% per annum.
Transferability of Convertible Notes	The Convertible Notes may be transferred or assigned in whole or in part by the Noteholders to any party, save and except that the Convertible Notes shall not be transferred to a connected person of the Company or an associate of such connected person unless the necessary approvals and consents from the Independent Shareholders as may be required under the GEM Listing Rules have been obtained.
Maturity date (the “ Maturity Date ”)	<p>The date falling on the corresponding calendar day in the thirty-sixth (36th) calendar month after the date of issue of the Convertible Notes.</p> <p>Unless previously converted in accordance with the conditions pursuant to which the Convertible Notes are to be issued, the Company shall at its sole and absolute discretion redeem the Convertible Notes (or any part thereof) at its outstanding principal amount together with interest at any time and from time to time on or before the Maturity Date.</p>
Conversion rights	The Noteholders may convert the whole or part of the principal amount of the Convertible Notes into the Conversion Shares at the Conversion Price for the period commencing from the date of issue of the Convertible Notes up to the Maturity Date.

The Noteholders shall have the right to convert the Convertible Notes, in whole or in part, at any time at the Conversion Price set out above, provided that no conversion of the Convertible Notes shall be made if immediately upon such conversion, the Company will fail to comply with the public float requirement (the “**Public Float Requirement**”) of the Shares under Rule 11.23 of the GEM Listing Rules.

Furthermore, the Noteholders shall exercise the right of conversion only to the extent that any conversion of the Convertible Notes does not trigger off a mandatory offer obligation under rule 26.1 of the Takeovers Code on the part of the Noteholders.

Conversion shares in respect of the Convertible Notes

Assuming the conversion rights attaching to the Convertible Notes are exercised in full at the Conversion Price, pursuant to the Convertible Notes, 172,102,729 Conversion Shares will be issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes in full at the Conversion Price of HK\$0.35.

The 172,102,729 Conversion Shares represent about 7.69% of the existing issued share capital of the Company as at the date of this announcement.

Based on the assumptions set out in the table under the paragraph headed “Changes in Shareholding Structure of the Company” below, the 172,102,729 Conversion Shares represent about 7.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Early redemption

The Convertible Notes are redeemable by the Company before the Maturity date of the Convertible Notes.

Ranking of the Convertible Notes

The Convertible Notes constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Ranking of the Conversion Shares

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Voting

The Convertible Notes do not confer any voting rights at any meetings of the Company

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM and will be allotted and issued upon exercise by the Notesholder(s).

CONDITIONS PRECEDENT IN RELATION TO THE AMENDMENT OF TERMS

Completion of the Amendment of Terms is conditional upon the fulfillment of the following conditions precedent:

1. the Company having convened an extraordinary general meeting at which resolutions shall be duly passed by the Independent Shareholders to approve and ratify the Deeds of Amendment and the transactions contemplated thereunder;
2. the written approval of the Deeds of Amendment and the Amendment of Terms set out therein by the respective Noteholders of not less than 75% of the aggregate principal amount of the outstanding EICN and ETCN;
3. the Stock Exchange having approved the Amendment of Terms pursuant to the GEM Listing Rules and the GEM Listing Committee, having granted (either unconditionally or subject to conditions acceptable to the Company) the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the Conversion Rights attaching to the Convertible Notes as amended by the Deeds of Amendment; and
4. all necessary consents and approvals required to be obtained on the part of the Company in respect of the Amendment having been obtained.

In the event that the conditions set out in the Deeds of Amendment are not fulfilled within 3 months after the execution of the Deeds of Amendment or any other extended period otherwise as agreed between the parties, the Company may unilaterally terminate the Deeds of Amendment by way of issuing a written notice to the Noteholders upon which the Noteholders shall have no rights against the Company pursuant to the Deeds of Amendment.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for the listing of, and the permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange.

REASONS FOR PROPOSED AMENDMENT OF TERMS

The Company is an investment holding company. The Group is engaged principally in provision of occupational education, industry certification course, skills training and education consultation.

Since 2013, the Company has been seeking additional financial resources to improve the working capital of the Group through various fund raising exercises including issuing convertible notes. The Amendment of Terms effectively allows the Group to refinance the debts under the Convertible Notes. If the Conversion Rights attaching to the Convertible Notes are exercised, the financial position of the Group will be strengthened with the conversion of debt into further equity capital. Furthermore, it will provide flexibility to the Company to manage its liquidity and the pressure from the cash flows and the repayment of the debts of the Group can be alleviated.

Despite the fact that the Convertible Notes will be matured in December 2015, the existing conversion price of the outstanding Convertible Notes is HK\$0.5 which represents (i) a premium of approximately 10% to the closing price of HK\$0.45 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a premium of approximately 13.2% to the average closing price of HK\$0.434 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day. Given the aforementioned premium, the chance of conversion of any of the outstanding Convertible Notes at such Conversion Price by the Noteholders is remote.

Therefore, the Company considered that there is a need to amend the terms of the Convertible Notes to allow the Company to elect cash settlement or by issuing the Conversion Shares. In the event that the Company chooses to redeem the Convertible Notes by issuing the Conversion Shares, the Company's liabilities will be reduced and the Company's equity base will be enlarged which in turn shall improve the financial position and gearing of the Group.

The proposed Amendment of Terms was arrived at after arm's length negotiations between the Company and the Noteholders. In view of the foregoing, the Board considers that the terms and conditions of the Deeds of Amendment are fair and reasonable and the Amendment of Terms is in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in full by the Noteholders at the Conversion Price of HK\$0.35 per Conversion Share; and (iii) immediately after the allotment and issue of the Conversion Shares and the relevant Shares upon the exercise of conversion rights attaching to the Convertible Notes and CN2016A in full respectively, and assuming that there being no other change to the share capital and shareholding structure of the Company from the date of this announcement save for the allotment and issue of the Conversion Shares and the relevant Shares during the relevant period.

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Notes in full (Note 1)		Immediately after the allotment and issue of the Conversion Shares and the relevant Shares upon exercise of the conversion rights attaching to the Convertible Notes and CN2016A in full respectively (Note 1)	
	Number of Shares	% (Approximately)	Number of Shares	% (Approximately)	Number of Shares	% (Approximately)
Connected Persons						
Li Xiangjun (Note 2)	313,590	0.014	313,590	0.013	313,590	0.012
Mr. Yang (also a holder of CN2016A)	282,554,896	12.63	282,554,896	11.73	457,694,756	17.48
Public Shareholders						
holder of ETCN	0	0.00	5,714,285	0.24	5,714,285	0.22
holders of EICN	200,000	0.009	166,588,444	6.916	166,588,444	6.36
Other public shareholders	1,953,531,549	87.34	1,953,531,549	81.1	1,988,531,549	75.93
Total	<u>2,236,600,035</u>	<u>100.00</u>	<u>2,408,702,764</u>	<u>100.00</u>	<u>2,618,842,624</u>	<u>100.00</u>

Notes:

- Assuming (i) the Conversion Price is not adjusted as a result of any dilutive event and (ii) there is no redemption of the Convertible Notes pursuant to the terms and conditions of the Convertible Notes.
- Li Xiangjun is a non-executive Director.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The equity fund raising activities conducted by the Company in the past twelve months prior to the date of this announcement are set out below:

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
29 November 2013 and 16 December 2013	Issue of CN2014-1 with an aggregate principal amount of HK\$6,000,000, which may be converted into 60,000,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$6,000,000 has been raised from issue of CN2014-1	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company
29 November 2013 and 16 December 2013	Issue of CN2014-2 with an aggregate principal amount of HK\$5,000,000, which may be converted into 50,000,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$5,000,000 has been raised from issue of CN2014-2	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company
10 December 2013 and 18 December 2013	Issue of convertible notes with an aggregate principal amount of HK\$10,000,000, which may be converted into 100,000,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$10,000,000 has been raised from issue of the convertible notes	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company
10 December 2013 and 18 December 2013	Issue of convertible notes with an aggregate principal amount of HK\$4,234,400, which may be converted into 42,344,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$4,234,400 has been raised from issue of the convertible notes	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
9 May 2014, 20 May 2014, 30 May 2014 and 6 June 2014	Issue of CN2016 with an aggregate principal amount of HK\$42,399,932, which may be converted into 326,153,321 Shares at the conversion price of HK\$0.13 per Share (subject to adjustment)	Approximately HK\$42,399,932 has been raised from issue of CN2016	For set-off of the existing debt of the Company and set-off of the moneys payable by the Company for redeeming the convertible notes	For set-off of the existing debt of the Company and set-off of the moneys payable by the Company for redeeming the convertible notes
27 June 2014 and 8 July 2014	Issue of CN2016A with an aggregate principal amount of HK\$40,775,000, which may be converted into 285,139,860 Shares at the conversion price of HK\$0.143 per Share (subject to adjustment)	Approximately HK\$40,775,000 has been raised from issue of CN2016A	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Amendment of Terms pursuant to the requirements under the GEM Listing Rules.

GENERAL

The issue and allotment of the Conversion Shares under the Specific Mandate, are subject to, inter alia, the approval of the Shareholders at the EGM.

A circular containing, among other things, details of the proposed Amendment of Terms and the notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

If any of the conditions precedent to the completion under the Deeds of Amendment is not satisfied, the Deeds of Amendment will lapse and will not proceed.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Amendment of Terms”	proposed amendments of certain terms and conditions of the Convertible Notes pursuant to the Deeds of Amendment
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day, other than a Saturday or Sunday, on which banks in Hong Kong generally provide their banking services
“CN2011A”	the convertible notes issued by the Company with an aggregate principal amount of HK\$29,999,934 conferring rights to convert into a total of 59,999,868 Shares on the basis of a conversion price of HK\$0.50 per Share (subject to adjustment)
“CN2014-1”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$6,000,000 conferring rights to convert into a total of 60,000,000 Shares to be issued by the Company on the basis of a conversion price of HK\$0.1 per Share (subject to adjustment) on 16 December 2013
“CN2014-2”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$5,000,000 conferring rights to convert into a total of 50,000,000 Shares to be issued by the Company on the basis of a conversion price of HK\$0.1 per Share (subject to adjustment) on 16 December 2013
“CN2016”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$42,399,932 conferring rights to convert into a total of 326,153,321 Shares to be issued by the Company on the basis of a conversion price of HK\$0.13 per Share (subject to adjustment) on 6 June 2014
“CN2016A”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$40,775,000 conferring rights to convert into a total of 285,139,860 Shares to be issued by the Company on the basis of a conversion price of HK\$0.143 per Share (subject to adjustment) on 8 July 2014; as at the date of this announcement, only the convertible notes in the aggregate principal amount of HK\$30,050,000 are still outstanding
“Company”	China E-Learning Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM

“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Conversion Price”	the price at which each Conversion Share shall be issued upon conversion, which shall be HK\$0.35 per Conversion Share, subject to adjustment in accordance with the terms and conditions of the Convertible Notes
“Conversion Shares”	the maximum of 172,102,729 new Share(s) which would fall to be issued by the Company upon exercise of the conversion rights attached to the Convertible Notes
“Convertible Notes “	EICN and ETCN
“Conversion Right(s)”	the right(s) of a Noteholder of the Convertible Notes to convert the whole or part of the principal amount of any Convertible Notes into the Conversion Shares subject to and in accordance with the Deeds of Amendment;
“Conversion Share(s)”	the Share(s) to be issued upon the exercise of the Conversion Rights attaching to the Convertible Notes
“Deeds of Amendment”	the two deeds of amendment both dated 15 August 2014 entered into between the Company and the Noteholders in relation to the Amendment of Terms for EICN and ETCN respectively, subject to the terms and conditions contained therein
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve, among other things, the issue and allotment of the Conversion Shares under the Specific Mandate
“EICN”	the 1% coupon rate convertible notes issued by the Company on 20 December 2012 with an aggregate principal amount of HK\$58,235,956 conferring rights to convert to a total of 116,471,912 Shares on the basis of a conversion price of HK\$0.50 per Share (subject to adjustment); as at the date of this announcement, all of the principal amount of the convertible note is still outstanding
“ETCN”	the 1% coupon rate convertible notes issued by the Company on 20 December 2012 with an aggregate principal amount of HK\$9,611,906 conferring rights to convert to a total of 19,223,812 Shares on the basis of a conversion price of HK\$0.50 per Share (subject to adjustment); as at the date of this announcement, the principal amount of HK\$2,000,000 of the convertible notes conferring rights to convert to a total of 4,000,000 Shares is still outstanding

“Existing Convertible Notes”	the existing convertible notes issued by the Company, including CN2016A
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange which is responsible for GEM listing matters
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Noteholders and any other connected persons who have material interests in the Amendment of Terms and the transactions contemplated under the Deeds of Amendment
“Instrument”	the instrument to be executed by the Company constituting the Convertible Notes, together with the schedules (as from time to time altered in accordance with the Instrument) and any other document executed in accordance with the instrument (as from time to time so altered) and expressed to be supplemental to the Instrument
“Last Trading Date”	15 August 2014, being the last trading date of the Company prior to the publication of this announcement
“Noteholder(s)”	the holder(s) of the Convertible Notes
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Specific Mandate”	a specific mandate to be granted to the Directors in relation to the allotment and issue of the Conversion Shares to be approved by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent

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

Hong Kong, 15 August 2014

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Yuan Wei and Mr. Yang Jilin; 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 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.