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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)

PLACING OF NEW SHARES UNDER THE GENERAL MANDATE

Placing Agent



金利豐證券
KINGSTON SECURITIES

PLACING

On 7 November 2014 (after trading hours), the Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six Placees, on a best effort basis, for subscribing up to an aggregate of 465,000,000 Placing Shares at HK\$0.539 per Placing Share. The Placing Price is exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable. The Placing is subject to the condition set out below under the heading “Condition of the Placing”.

The Placing Price represents (i) a discount of approximately 15.78% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 19.79% to the average closing price of HK\$0.672 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the Last Trading Day.

The total number of Placing Shares represents (i) approximately 19.11% of the existing issued share capital of the Company; and (ii) approximately 16.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

An application will be made to the GEM Listing Committee for the approval of the listing of and permission to deal in the Placing Shares.

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 10 October 2014.

Upon completion of the Placing (and assuming all the 465,000,000 Placing Shares are subscribed for), the gross proceeds and net proceeds arising from the Placing are estimated to be approximately HK\$250.6 million and approximately HK\$247 million respectively. The Company intends to use the net proceeds as general working capital of the Group and for any possible acquisition and other investment opportunities in the future.

1. THE PLACING

On 7 November 2014 (after trading hours), the Placing Agreement was entered into between the Company (as issuer) and the Placing Agent (as placing agent). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its associates are Independent Third Parties.

The Placees

The Placing Shares will be placed on a best effort basis. The Placing Agent has agreed in the Placing Agreement that it will use its best efforts to, during the period from 7 November 2014 to 21 November 2014 (both days inclusive), procure the Placing Shares to be placed to altogether not less than six Placees, who (where applicable, and their ultimate beneficial owners) are Independent Third Parties.

If the number of Placees shall be less than six, the Company will issue a further announcement in accordance with the GEM Listing Rules.

It is expected that none of the Placees will become a substantial Shareholder immediately after completion of the Placing.

Number of Placing Shares

The Placing Agent has agreed to procure, on a best effort basis, Placees to subscribe for up to 465,000,000 Placing Shares on the terms and subject to the conditions set out in the Placing Agreement.

The aggregate nominal value of all the 465,000,000 Placing Shares is HK\$46,500,000. The total number of Placing Shares represents (i) approximately 19.11% of the total number of 2,433,314,319 existing issued Shares as at the date of this announcement; and (ii) approximately 16.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares pursuant to the Placing.

Placing Price

The Placing Price is HK\$0.539 per Placing Share exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable. The net placing price (net of commissions and expenses) is approximately HK\$0.531 per Placing Share.

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent on the date of Placing Agreement with reference to recent market prices of the Shares. The Placing Price represents (i) a discount of approximately 15.78% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 19.79% to the average closing price of HK\$0.672 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the Last Trading Day.

Placing Commission

The Placing Agent will receive a placing commission of 1.5% of the aggregate Placing Price multiplied by the number of Placing Shares actually placed by the Placing Agent. The placing commission was arrived at arm's length negotiation between the Company and the Placing Agent. The Directors are of the view that the placing commission of 1.5% is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

Disposal and lock-up restriction

The Placing Shares are not subject to any lock-up or other disposal restriction under the terms of the Placing Agreement.

Condition of the Placing

Completion of the Placing is conditional upon:

- (A) the GEM Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Placing Shares; and
- (B) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms thereof, including provisions regarding force majeure event.

Completion of the Placing

Completion of the Placing, in any event, will take place within four business days after the fulfillment of the conditions above or such later date to be agreed between the Company and the Placing Agent. If the above conditions are not satisfied and/or waived (other than (A) above, which cannot be waived) in whole or in part by the Placing Agent prior to 5:00 p.m. on 21 November 2014 or such later date to be agreed in writing between the Company and the Placing Agent, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties thereunder will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches thereof).

Mandate to allot and issue new Shares

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the extraordinary general meeting of the Company held on 10 October 2014. The Company is authorised to issue 465,520,007 Shares under such mandate.

Prior to the date of the Placing Agreement, the Company has not utilised any of the power to allot and issue any new Shares pursuant to such mandate and therefore has the power to allot and issue up to 465,520,007 Shares under such mandate. Accordingly, the issue of the Placing Shares is not subject to the Shareholders' approval.

Ranking

The Placing Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Placing.

Termination

The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Placing Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the Completion Date;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on GEM for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or any announcements or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the Placing Agreement as mentioned above, all obligations of the Placing Agent thereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

2. CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Placing (assuming there is no change to the shareholding structure of the Company from the date of this announcement and up to completion of the Placing other than the allotment and issue of the Placing Shares) are as follows:

	As at the date of this announcement		Shareholding immediately after Completion of the Placing		Immediately after the allotment and issue of the conversion shares upon exercise of the conversion right attaching to the Convertible Notes in full (Note 1)	
	Number of Shares	% (Approximately)	Number of Shares	% (Approximately)	Number of Shares	% (Approximately)
Connected Persons						
Li Xiangjun (Note 2)	313,590	0.013	313,590	0.011	313,590	0.010
Yang Dong Jun	272,106,896	11.18	272,106,896	9.39	272,106,896	8.67
Public Shareholders						
holders of EICN	0	0.00	0	0.00	66,388,445	2.11
holder of CN2016A	0	0.00	0	0.00	175,139,860	5.58
Placees	0	0.00	465,000,000	16.04	465,000,000	14.81
Other public Shareholders	2,160,893,833	88.80	2,160,893,833	74.56	2,160,893,833	68.82
Total	2,433,314,319	100.00	2,898,314,319	100.00	3,139,842,624	100.00

Notes:

1. Assuming (i) the conversion price of the Convertible Notes 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.
2. Li Xiangjun is an non-executive Director.

As disclosed in the above shareholding table, immediately after the completion of the Placing, over 25% of the issued share capital of the Company will be in the public hands (including the Placees).

3. REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs. Upon completion of the Placing (and assuming all the 465,000,000 Placing Shares will be placed), the gross proceeds arising from the Placing are estimated to be approximately HK\$250.6 million and the net proceeds, after deducting related Placing commission, professional fees and all related expenses, arising from the Placing are estimated to be approximately HK\$247 million, which is intended to be used as general working capital of the Group and for any possible acquisition and other investment opportunities in the future.

The Board is of the view that the Placing will strengthen the financial position (in particular, the working capital and cash flow position) of the Group. Considering the uncertainties in the global financial market, the Directors are of the view that it is reasonable for the Company to enhance the capital base by the Placing with a view to creating more buffer for the Company to mitigate the business and financial risk and enhance the financial flexibility of the Group. In addition, as the Company is actively exploring for business opportunities to diversify risk and broaden the sources of income of the Group, sufficient cash reserve is crucial for the development of the Company. The cash reserve is able to foster the on-going business operations, continue to centralize the corporate objective of developing current businesses in order to strengthen the competitiveness, integrate its capital resources and contribute a maximum wealth to Shareholders.

The Directors (including the independent non-executive Directors) consider the terms of the Placing Agreement and the Placing Price to be fair and reasonable so far as the Shareholders are concerned and the Placing is in the best interests of the Company and the Shareholders as a whole.

4. FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities in the 12 months immediately prior to the date of this announcement.

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
29 November 2013 and 16 December 2013	Issue of the convertible notes 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 the convertible notes	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 the convertible notes 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 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 the 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

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
10 December 2013 and 18 December 2013	Issue of the 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
9 May 2014, 20 May 2014, 30 May 2014 and 6 June 2014	Issue of the convertible notes 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 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	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 the convertible notes 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 the convertible notes	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Last Trading Date.

5. APPLICATION FOR LISTING

Application will be made to the GEM Listing Committee for the approval for the listing of, and permission to deal in, the Placing Shares.

As the Placing is conditional, there is no assurance that the Placing will proceed. Shareholders and potential investors of the Company are advised exercise caution in dealing in the Shares. The Company will publish an announcement upon completion or lapse of the Placing.

6. DEFINITIONS

The following defined terms are used in this announcement:

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (excluding a Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“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 Last Trading Day, the outstanding aggregate principal amount of the convertible notes is HK\$25,045,000
“Company”	China E-Learning Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion Date”	any time within four business days after the fulfilment of the condition precedent under the paragraph headed “Condition of the Placing” or such other date as the Company and the Placing Agent may agree in writing
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules
“Convertible Notes”	CN2016A and EICN
“Director(s)”	the director(s) of the Company
“EICN”	the 0% per annum coupon rate convertible notes issued by the Company on 20 December 2012 (as amended with effect on 27 October 2014) in the aggregate principal amount of HK\$58,235,956 conferring rights to convert to a total of 166,388,445 Shares on the basis of a conversion price of HK\$0.35 per Share (subject to adjustment); as at the Last Trading Day, the outstanding aggregate principal amount of the convertible notes is HK\$23,235,956
“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 PRC
“Independent Third Parties”	party(ies) who is(are) independent of and not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or associated companies, or any of their respective associates
“Last Trading Day”	7 November 2014, being the last trading day in the Shares prior to the issue of this announcement
“Placees”	the placees to be procured by the Placing Agent pursuant to the terms and conditions of the Placing Agreement
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	a placing agreement dated 7 November 2014 and made among the Company and the Placing Agent in relation to the Placing
“Placing Price”	the price of HK\$0.539, being the subscription price of each Placing Share
“Placing Shares”	up to 465,000,000 new Shares to be subscribed by the Placees in accordance with the terms of the Placing Agreement
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“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, 7 November 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.