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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)

VARIATION TO TERMS OF DISCLOSEABLE TRANSACTION ACQUISITION OF 49% EQUITY INTEREST IN TARGET COMPANY AND ISSUE OF CONVERTIBLE NOTES

VARIATION TO TERMS

On 24 October 2016 (after trading hours), the Purchaser and the Vendors entered into the Supplemental Agreement, pursuant to which certain terms of the Agreement have been amended. In particular, only 49% equity interest of the Target Company will be acquired by the Purchaser and the Consideration is reduced to HK\$91,581,000 (subject to adjustments).

Reference is made to the Company's announcement dated 11 October 2016 (the "**Announcement**") related to the Acquisition. Terms defined in the Announcement shall have the same meanings when used herein, unless the context requires otherwise.

VARIATION TO TERMS

On 24 October 2016 (after trading hours), the Purchaser and the Vendors entered into a supplemental agreement for amending certain terms of the Agreement (the "**Supplemental Agreement**").

Pursuant to the Supplemental Agreement, the following terms of the Agreement have been amended.

1. Only 49% equity interest of the Target Company (“**Sale Equity**”) will be acquired by the Purchaser.
2. The total consideration for the Acquisition (the “**Consideration**”) is reduced to HK\$91,581,000 (subject to adjustments).
3. All the Consideration payable to the Vendors will be satisfied by the Company’s issue of the Convertible Notes to the Vendors or their nominated companies in an aggregate principal amount equivalent to the Consideration. Within 7 business days after the Completion, the Company will issue the Convertible Notes in the principal sum of HK\$91,581,000 to the Vendors or their nominated companies.
4. The Purchaser will engage an independent professional valuer to assess the value of the Sale Equity, and if such value as assessed by the valuer is less than HK\$91,581,000, the Consideration will be reduced and be equal to the value so assessed.

CONVERTIBLE NOTES

The following principal terms of the Convertible Notes are amended pursuant to the Supplemental Agreement.

Aggregate principal amount HK\$91,581,000 (equivalent to the Consideration, assuming no adjustment is made)

Conversion Shares Based on the Consideration of HK\$91,581,000, 384,794,117 Conversion Shares will be issued by the Company upon exercise of the conversion rights attached to the Convertible Notes in full at the Conversion Price of HK\$0.238 per Share.

The 384,794,117 Conversion Shares represent approximately 12.67% of the existing issued share capital of the Company as at the date of the Announcement.

Assuming that there is no change to the shareholding structure of the Company from the date of the Announcement, the 384,794,117 Conversion Shares represent approximately 11.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

MANDATE TO ISSUE THE CONVERTIBLE NOTES

The issue of the Convertible Notes will be made under the General Mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 30 June 2016 to allot and issue up to 591,020,639 Shares, being 20% of the total nominal amount of the issued share capital of the Company as at the date of the passing of the resolution approving such grant. As at the date of this announcement, no Shares or securities have been allotted and issued by the Directors under the General Mandate. Upon exercise of the conversion rights attaching to the Convertible Notes in full, assuming the Conversion Price is not adjusted as a result of any dilutive event and there is no redemption of the Convertible Notes pursuant to the terms and conditions of the Convertible Notes, the Company may allot and issue up to the remaining 206,226,522 Shares under the General Mandate.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of 384,794,117 Conversion Shares upon the exercise of conversion rights attaching to the Convertible Notes in the principal sum of HK\$91,581,000 in full (assuming that there is no change to the shareholding structure of the Company after the date of this announcement).

	As at the date of this announcement		Immediately after the allotment and issue of the 384,794,117 Conversion Shares upon exercise of the conversion rights attaching to the Convertible Notes in the principal sum of HK\$91,581,000 in full (Note 1)	
	<i>Number of Shares</i>	<i>% (Approximately)</i>	<i>Number of Shares</i>	<i>% (Approximately)</i>
Public Shareholders	2,645,103,196	87.12	2,645,103,196	77.32
Atlantis Capital Holdings Limited	391,000,000	12.88	391,000,000	11.43
Vendors	–	–	384,794,117	11.25
Total:	3,036,103,196	100	3,420,897,313	100

Note:

1. 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.

OTHER INFORMATION

Immediately after Completion of the Acquisition, the equity interest of the Target Company will be owned as to 49% by the Purchaser, 31% by Mr. Wang Peng and 20% by Mr. Ma Lieyun.

Upon Completion, the Target Company will not become a subsidiary of the Company.

The Directors (including the independent non-executive Directors) consider that terms of the Supplemental Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios calculated in respect of the acquisition of the Sale Equity pursuant to the Agreement as amended by the Supplemental Agreement (the “**Acquisition**”) exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempt from Shareholders’ approval under Chapter 19 of the GEM Listing Rules.

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

Hong Kong, 24 October 2016

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Yuan Wei and Ms. Zhang Jianxin; 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 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.irasia.com/listco/hk/chinaelearning/ for at least 7 days from the date of its publication.