
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China E-Learning Group Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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 CAPITAL REORGANISATION
AND SHARE PREMIUM REDUCTION
AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of China E-Learning Group Limited to be held at the Conference Room of The Chinese Club, 9th Floor, The Chinese Club Building, 21-22 Connaught Road Central, Hong Kong on Monday, 18 February 2013 at 11:00 a.m. is set out on pages 14 to 16 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

This circular 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 posting.

18 January 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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.

CONTENTS

	<i>Page</i>
Expected Timetable	iii
Definitions	1-3
Letter from the Board	4-13
Notice of Extraordinary General Meeting	14-16

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below:

Despatch of the circular and notice of the EGM	Friday, 18 January 2013
Latest time for lodging forms of proxy for the EGM (not less than 48 hours before the time of the EGM)	11:00 a.m., Saturday, 16 February 2013
Date and time of the EGM	11:00 a.m., Monday, 18 February 2013
Announcement of results of EGM	Monday, 18 February 2013
Expected date on which the Capital Reorganisation is confirmed by the Court.....	Monday, 17 June 2013
Expected date of registration of a copy of the court order confirming the Capital Reorganisation and the minutes approved by the Court pursuant to the Companies Law	Tuesday, 16 July 2013
Expected effective date of the Capital Reorganisation (the “ Effective Date ”)	After 4:00 p.m. Tuesday, 16 July 2013
First day for free exchange of existing certificates for Existing Shares for new certificates for New Shares	Wednesday, 17 July 2013
Commencement of dealings in New Shares on the Stock Exchange	9:00 a.m., Wednesday, 17 July 2013
Last day for free exchange of existing certificates for Existing Shares for new certificates for New Shares	Wednesday, 21 August 2013

Notes:

- (1) All times and dates above refer to Hong Kong times and dates.
- (2) Dates or times specified in this circular for events in the timetable for (or otherwise in relation to) the Capital Reorganisation are indicative only and may be excluded or varied due to the timetable and availability of the Court, additional time required for compliance with the regulatory requirements in the Cayman Islands and/or with any requirements imposed by the Court or varied by the Company. Any change to the expected timetable for the Capital Reorganisation will be published or notified to the Shareholders as and when appropriate.

DEFINITIONS

In this circular, unless the context otherwise requires, the expressions as stated below will have the following meanings:

“Acquisition”	the Company’s acquisition of Everjoy International and Everjoy Technology, details of which are set out in the Company’s circular dated 29 June 2012.
“Announcement”	the announcement dated 4 December 2012 issued by the Company in relation to the Capital Reorganisation
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Capital Reduction”	proposed capital reduction pursuant to which the par value of each Existing Share in issue will be reduced from HK\$0.50 to HK\$0.10 by cancelling the paid up capital to the extent of HK\$0.40 on each Existing Share
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (a) the Capital Reduction and (b) the Sub-division
“CCASS”	the Central Clearing and Settlement System
“Companies Law”	the Companies Law (2012 Revision) of the Cayman Islands
“Company”	China E-Learning Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Convertible Notes”	collectively, the Convertible Notes 2009, Convertible Notes 2011 A, Convertible Notes 2011 D, EICN and ETCN
“Convertible Notes 2009”	the convertible notes with an aggregate outstanding principal amount of HK\$12,221 conferring rights to convert to a total of 12,100 Existing Shares on the basis of an initial conversion price of HK\$1.01 per Existing Share (subject to adjustment)
“Convertible Notes 2011 A”	the convertible notes with an aggregate outstanding principal amount of HK\$29,999,934 conferring rights to convert to a total of 59,999,868 Existing Shares on the basis of an initial conversion price of HK\$0.50 per Existing Share (subject to adjustment)

DEFINITIONS

“Convertible Notes 2011 D”	the convertible notes with an aggregate outstanding principal amount of HK\$12,800,000 conferring rights to convert to a total of 25,600,000 Existing Shares on the basis of an initial conversion price of HK\$0.50 per Existing Share (subject to adjustment)
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 11:00 a.m. on 18 February 2013 to consider and, if thought fit, approve the relevant resolution(s) in respect of, among other matters, the Capital Reorganisation
“EI Agreement”	the agreement dated 10 February 2012 (as supplemented by a supplemental agreement dated 26 June 2012) entered into between the Company and Mr. Lee for the sale and purchase of the EI Sale Share
“EICN”	the convertible notes in the principal amount of HK\$58,235,956 which have been issued by the Company to Mr. Lee for settlement of part of the consideration of the EI Sale Share on 20 December 2012
“EI Sale Share”	1 share of US\$1.00 in the issued share capital of Everjoy International, being its entire issued share capital
“ET Agreement”	the agreement dated 10 February 2012 (as supplemented by a supplemental agreement dated 26 June 2012) entered into between the Company and Ms. Hong for the sale and purchase of the ET Sale Shares
“ETCN”	the convertible notes in the principal amount of HK\$9,611,906 which have been issued by the Company to Ms. Hong for settlement of part of the consideration of the ET Sale Shares on 20 December 2012
“ET Sale Shares”	50,000 shares of US\$1.00 each in the issued share capital of Everjoy Technology, being its entire issued share capital
“Everjoy International”	Everjoy International Media Corporation, a company incorporated in the BVI with limited liability
“Everjoy Technology”	Everjoy Technology Development Corporation, a company incorporated in the BVI with limited liability

DEFINITIONS

“Existing Share(s)”	existing shares of HK\$0.50 each in the capital of the Company prior to the Capital Reorganisation becoming effective
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	15 January 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Mr. Lee”	Lee Chi Kong, the vendor of the EI Sale Share
“Ms. Hong”	Hong Kit Yin Stella, the vendor of the ET Sale Shares
“New Shares”	ordinary shares of HK\$0.10 each in the capital of the Company upon the Capital Reorganisation becoming effective
“Shareholders”	holders of the issued Shares
“Share Options”	the share options granted or to be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 24 November 2001
“Share(s)”	the Existing Share(s) or, as the case may be, the New Share(s)
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of the total amount standing to the credit of the Share Premium Account as at the Effective Date and application of the credit arising therefrom towards offsetting of the accumulated losses of the Company as at the Effective Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each Existing Share in the authorised but unissued capital of the Company into 5 shares of a nominal value of HK\$0.10 each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



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)

Executive Directors

Mr. Chen Hong (*Chairman*)
Ms. Wei Jianya

Non-executive Director

Mr. Li Xiangjun

Independent non-executive Directors

Mr. Cheung Wai Tak
Dr. Huang Chung Hsing

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Unit 3306, 33rd Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

18 January 2013

To the Shareholders

Dear Sir or Madam,

PROPOSED CAPITAL REORGANISATION AND SHARE PREMIUM REDUCTION

INTRODUCTION

On 4 December 2012, the Board announced that the Company proposed to implement the Capital Reorganisation by way of:

- (1) the Capital Reduction; and
- (2) the Sub-division.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among others, (i) further details about the Capital Reorganisation, (ii) the Share Premium Reduction and (iii) a notice of the EGM at which special resolutions will be proposed to consider and, if though fit, to approve the Capital Reorganisation.

PROPOSED CAPITAL REORGANISATION

The Company proposes to put forward to the Shareholders the Capital Reorganisation proposal which will involve:—

- (i) the Capital Reduction, whereby the issued share capital of the Company will be reduced by HK\$0.40 per Existing Share by cancelling an equivalent amount of paid-up capital per Existing Share in issue so that the par value of each New Share in issue will be HK\$0.10 and the relevant amount of issued capital thereby cancelled will be made available for issue of New Shares; and
- (ii) the Sub-division, whereby each Existing Share in the authorized but unissued share capital of the Company will be sub-divided into 5 shares of a nominal value of HK\$0.10 each.

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation and the listing of the New Shares are conditional upon:

- (1) the passing of the relevant resolution(s) by the Shareholders at the EGM to approve the Capital Reorganisation;
- (2) an order being made by the Court confirming the Capital Reduction;
- (3) the registration with the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minutes approved by the Court containing particulars required under the Companies Law with respect to the Capital Reduction;
- (4) compliance with any conditions which the Court may impose; and
- (5) the Stock Exchange granting listing of, and permission to deal in, the New Shares.

An application will be made by the Company to the Stock Exchange for granting the listing of, and the permission to deal in, the New Shares arising from the Capital Reduction and underlying New Shares to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Notes and the Share Options. Save for the GEM, the Existing Shares are not, and the New Shares will not be, listed on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

PROPOSED SHARE PREMIUM REDUCTION

Subject to the Capital Reorganisation becoming effective, the Board proposes to effect the Share Premium Reduction by cancelling the total amount standing to the credit of the Share Premium Account as at the Effective Date and applying the credit arising therefrom to offset the accumulated losses of the Company.

According to the unaudited management accounts of the Company, as at 31 October 2012, the Share Premium Account and the Company's accumulated losses stood at HK\$175,172,744.58 and HK\$994,186,844.74 respectively. The Company proposes to reduce the amount standing to the credit of the Share Premium Account to the extent of HK\$175,172,744.58 and apply the credit arising from such reduction to set off against the equal amount of the accumulated losses of the Company subject to the Companies Law and the articles of association of the Company.

The implementation of the Share Premium Reduction will not, in itself, affect the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, other than related expenses incurred which are immaterial. Save for the aforesaid expenses, the Directors consider that the Share Premium Reduction will not cause any loss in the Shareholders' funds of the Company and will not have any material adverse effect on the financial position of the Company.

EFFECTIVE DATE OF THE CAPITAL REORGANISATION

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation and the listing of the New Shares will become effective.

EFFECTS OF THE CAPITAL REORGANISATION

(1) Share Capital of the Company

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$5,000,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.50 each, of which 1,471,878,902 Existing Shares have been allotted and issued as fully paid or credited as fully paid.

Assuming that the Company does not allot or issue or repurchase any Existing Shares prior to the Capital Reorganisation, the authorised share capital of the Company shall be HK\$5,000,000,000 comprising 50,000,000,000 New Shares immediately upon the Capital Reorganisation taking into effect, and the Company's issued share capital shall be HK\$147,187,890.20 comprising 1,471,878,902 New Shares. A credit of HK\$588,751,560.80 will arise from the Capital Reduction, which will be credited to the books of the Company.

LETTER FROM THE BOARD

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after completion of the Capital Reorganisation (assuming no exercise of the Convertible Notes and the Share Options):

	Before the Capital Reorganisation	Immediately after the Capital Reorganisation
Nominal value of Shares	HK\$0.50	HK\$0.10
Authorised share capital	HK\$5,000,000,000 divided into 10,000,000,000 Existing Shares	HK\$5,000,000,000 divided into 50,000,000,000 New Shares
Issued and paid-up share capital	HK\$735,939,451 divided into 1,471,878,902 Existing Shares	HK\$147,187,890.20 divided into 1,471,878,902 New Shares
Unissued share capital	HK\$4,264,060,549 divided into 8,528,121,098 Existing Shares	HK\$4,852,812,109.80 divided into 48,528,121,098 New Shares

(2) Outstanding Convertible Notes

As at the Latest Practicable Date, there are Convertible Notes in issue in the aggregate outstanding principal amount of HK\$110,660,017, which consists of:

- (i) the Convertible Notes 2009 in the outstanding principal amount of HK\$12,221. Assuming exercise in full of the conversion rights attaching to the Convertible Notes 2009 at the conversion price of HK\$1.01 per Existing Share by the holder of the Convertible Notes 2009 before the Capital Reorganisation taking into effect, 12,100 new Existing Shares would be issued by the Company pursuant to the terms and conditions of the Convertible Notes 2009;
- (ii) the Convertible Notes 2011 A in the outstanding principal amount of HK\$29,999,934. Assuming exercise in full of the conversion rights attaching to the Convertible Notes 2011 A at the conversion price of HK\$0.50 per Existing Share by the holder of the Convertible Notes 2011 A before the Capital Reorganisation taking into effect, 59,999,868 new Existing Shares would be issued by the Company pursuant to the terms and conditions of the Convertible Notes 2011 A;
- (iii) the Convertible Notes 2011 D in the outstanding principal amount of HK\$12,800,000. Assuming exercise in full of the conversion rights attaching to the Convertible Notes 2011 D at the conversion price of HK\$0.50 per Existing Share by the holder of the Convertible Notes 2011 D before the Capital Reorganisation taking into effect, 25,600,000 new Existing Shares would be issued by the Company pursuant to the terms and conditions of the Convertible Notes 2011 D;

LETTER FROM THE BOARD

- (iv) the EICN in the aggregate principal amount of HK\$58,235,956. Assuming exercise in full of the conversion rights attaching to the EICN at the conversion price of HK\$0.50 per Existing Share by the holder of the EICN before the Capital Reorganisation taking into effect, 116,471,912 new Existing Shares would be issued by the Company pursuant to the terms and conditions of the EICN; and
- (v) the ETCN in the aggregate principal amount of HK\$9,611,906. Assuming exercise in full of the conversion rights attaching to the ETCN at the conversion price of HK\$0.50 per Existing Share by the holder of the ETCN before the Capital Reorganisation taking into effect, 19,223,812 new Existing Shares would be issued by the Company pursuant to the terms and conditions of the ETCN.

On 26 November 2012, Pacific Foundation Assets Management Limited (as holder of the Convertible Notes 2011 D in the principal sum of HK\$9,700,000) obtained a judgment from the High Court of Hong Kong in respect of its claim against the Company for the full amount of the principal sum of HK\$9,700,000 together with accrued interest (including the interest on the judgment sum) and costs (collectively, the “Judgment Debt”). The aforesaid judgment was served on the Company on 13 December 2012 and the Company was required to pay the Judgment Debt within 21 days thereafter.

The Company has fully repaid the Judgment Debt on 10 January 2013, therefore all disputes between the Company and Pacific Foundation Assets Management Limited have been fully settled. The Board considers that the repayment of the Judgment Debt does not have any material adverse impact on the financial position of the Company.

The Company obtained the Shareholders’ approval for the Company’s acquisition of Everjoy International and Everjoy Technology at the extraordinary general meeting held on 17 July 2012. Details of which are set out in the Company’s circular dated 29 June 2012. As disclosed in the Company’s announcement dated 26 September 2012, completion of the aforesaid acquisition was postponed to 20 December 2012. As further disclosed in the Company’s announcement dated 20 December 2012, completion of the Acquisition took place on 20 December 2012 and the ETCN and EICN in the aggregate principal amount of HK\$67,847,862 were issued to Ms. Hong and Mr. Lee in accordance with the respective terms of the ET Agreement and the EI Agreement.

The Capital Reorganisation will affect the conversion price and the number of New Shares which fall to be issued upon exercise of the conversion rights attached to the Convertible Notes. An independent financial adviser or an approved merchant bank or the auditors of the Company (as the case may be) will be appointed by the Company in accordance with the terms of the Convertible Notes to certify in writing as to the necessary adjustments (if any) required to be made in respect of the exercise of the conversion rights attached to the Convertible Notes and the new conversion price of the Convertible Notes as a result of the Capital Reorganisation. The Company will make a further announcement about the adjustments to be made (if any) in due course.

(3) Outstanding Share Options

As at the Latest Practicable Date, there were 15,800,000 outstanding Share Options granted to certain Directors and employees of the Group which carry the rights to subscribe for 15,800,000 Existing Shares.

LETTER FROM THE BOARD

As a result of the Capital Reorganisation, an independent financial adviser or the auditors of the Company will be appointed by the Company in accordance with the rules of the Share Option Scheme to certify in writing as to the necessary adjustments (if any) required to be made under the GEM Listing Rules in respect of the exercise price per Share at which the holders of the outstanding Share Options may subscribe for Shares upon the exercise of the Share Options and the number of their outstanding Share Options. The Company will make a further announcement about the adjustments to be made (if any) in this regard as and when appropriate.

Save as aforesaid, the Company does not have any other outstanding convertible notes, securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Save for the expenses to be incurred in relation to the Capital Reorganisation, the Capital Reorganisation will not, by itself, have any effect on the underlying assets, business operations, management or financial positions of the Group, nor the proportionate interests of the Shareholders in the Company.

BOARD LOT SIZE

The Shares are currently traded in board lots of 8,000 Existing Shares. Upon the Capital Reorganisation becoming effective, the board lots of the New Shares will remain unchanged and will be traded in the board lots of 8,000 New Shares.

REASONS FOR THE CAPITAL REORGANISATION AND THE SHARE PREMIUM REDUCTION

The main purpose for implementing the Capital Reorganisation is to lower the nominal value of the Existing Shares. Under the Companies Law, a company may not issue shares at a discount to the par value of such shares unless, among other things, the issue of shares is authorised by a resolution of the shareholders of a company and is sanctioned by the Court. As the Existing Shares have been trading under their par value for a long period of time, the Capital Reorganisation will enable the Company to better respond to the market situations in conducting capital raising exercises, including but not limited to the issue of New Shares, by providing greater flexibility to the Company in pricing future capital raising exercises and to issue Shares at a discount to their prevailing market price timely without going through various statutory requirements. The Company presently does not have any intention for any fund raising exercise.

All the credit arising from the Capital Reduction and the Share Premium Reduction will be applied to set-off the accumulated losses of the Company.

LETTER FROM THE BOARD

Based on the Company's unaudited management accounts, the latest balance of its accounts as at 31 October 2012 and upon the Capital Reorganization becoming effective (assuming there will be no change to such figures before Capital Reorganization) are as follows:

	As at 31 October 2012 (HK\$)	Upon the Capital Reorganisation becoming effective (HK\$)
Share Capital	735,939,451.00	147,187,890.20
Share Premium	175,172,744.58	Nil.
Contributed surplus	Nil.	Nil.
Distributable reserves	Nil.	Nil.
Accumulated losses	994,186,844.74	230,262,539.36
Total Equity (loss)	(83,074,649.16)	(83,074,649.16)

If in the future, the Company has realized an accumulated gain, then the Board will consider to distribute dividends in appropriate circumstances after having taken into account the financial positions of the Company.

In view of the current financial position of the Company, the Board considers that it is in the best interest of the Company and its Shareholders as a whole to implement the Capital Reorganisation and the Share Premium Reduction.

STATUS OF THE NEW SHARES

The New Shares will rank pari passu in all respects with each other. The Capital Reorganisation and the Share Premium Reduction will not result in any change in the rights of the Shareholders.

FREE EXCHANGE OF CERTIFICATES

Subject to the Capital Reorganisation becoming effective, Shareholders may, on or after Wednesday, 17 July 2013 and until 4:30 p.m. on Wednesday, 21 August 2013 (both dates inclusive), submit their existing certificates for the Existing Shares in light blue to the Hong Kong branch share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to exchange for certificates for the New Shares in red at the expense of the Company.

After 4:30 p.m. on Wednesday, 21 August 2013, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) by the Shareholders for each certificate issued or cancelled, whichever is higher. Certificates for the Existing Shares will continue to be good evidence of legal

LETTER FROM THE BOARD

title but will cease to be valid for dealings, trading and settlement purpose and may only be exchanged for certificates for the New Shares at any time in accordance with the foregoing and subject to the change described above if submitted after 4:30 p.m. on Wednesday, 21 August 2013.

GENERAL

The Company is principally engaged in provision of occupational education, industry certification course, skills training and education consultation.

As at the Latest Practicable Date, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

WARNING

Shareholders and potential investors should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” above, and therefore may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

EXTRAORDINARY GENERAL MEETING

As none of the Shareholders or their associates (as defined in the GEM Listing Rules) has any material interest in the Capital Reorganisation which is different from that of the other Shareholders, no Shareholder will be required to abstain from voting on the resolution in respect of the Capital Reorganisation at the EGM.

The notice convening the EGM is set out on pages 14 to 16 of this circular. The EGM will be held at the Conference Room of The Chinese Club, 9th Floor, The Chinese Club Building, 21-22 Connaught Road Central, Hong Kong on Monday, 18 February 2013 at 11:00 a.m. for the purpose of, considering and, if thought fit, approving the Capital Reorganisation and the Share Premium Reduction.

Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

VOTING BY WAY OF POLL

Pursuant to Article 66, at any general meeting a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The chairman of the EGM will therefore demand a poll for all resolutions to be put to the vote at the meeting pursuant to the articles of association of the Company. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

RECOMMENDATION

The Directors believe that the proposals for the Capital Reorganisation and the Share Premium Reduction are fair and reasonable and are in the interests of the Company and Shareholders as a whole. Accordingly the Directors recommend the Shareholders to vote in favour of the relevant resolutions proposed at the EGM to approve the Capital Reorganisation and the Share Premium Reduction.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Yours faithfully,
For and on behalf of the Board of
CHINA E-LEARNING GROUP LIMITED
Chen Hong
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of China E-Learning Group Limited (the “**Company**”) will be held at the Conference Room of The Chinese Club, 9th Floor, The Chinese Club Building, 21-22 Connaught Road Central, Hong Kong on Monday, 18 February 2013 at 11:00 a.m. for the purpose of considering as special business and, if thought fit, passing the following resolutions as special resolutions with or without amendments:

SPECIAL RESOLUTIONS

- (1) “**THAT** subject to and conditional upon (i) the approval of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the “**Court**”); (ii) registration by the Registrar of Companies in the Cayman Islands of the order of the Court confirming the Capital Reduction (as defined below) and the minutes approved by the Court containing the particulars required under the Companies Law of the Cayman Islands in respect of the Capital Reduction (as defined below) and the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction (as defined below); and (iii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Shares (as defined below) to be in issue upon the date (the “**Effective Date**”) on which the aforesaid conditions are fulfilled:
 - (a) the issued and paid up share capital of the Company be reduced (the “**Capital Reduction**”) by cancelling the paid-up capital to the extent of HK\$0.40 on each existing share of HK\$0.50 each in the capital of the Company (the “**Existing Shares**”) so that following such reduction, each issued Existing Share of HK\$0.50 of the Company be treated as one fully paid-up share of HK\$0.10 par value each (the “**New Shares**”) in the issued share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital thereby cancelled be made available for issue of new shares of the Company with the authorised share capital of the Company of HK\$5,000,000,000 remains unchanged;
 - (b) the credit arising from the Capital Reduction shall be applied to set-off the accumulated losses of the Company;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) immediately following the Capital Reduction, each authorized but unissued share of the Company of par value of HK\$0.50 shall be sub-divided into five (5) new shares of par value of HK\$0.10 each (the “**Sub-division**”);
 - (d) all of the New Shares resulting from the Capital Reduction and Sub-division shall rank *pari passu* in all respects and have the rights and privileges and be subject to the restrictions contained in the Company’s articles of association; and
 - (e) the directors of the Company be and are hereby authorized generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Capital Reduction and the Sub-division.”
- (2) “**THAT** subject to and conditional upon Resolution (1) above becoming effective:
- (a) the total amount standing to the credit of the share premium account of the Company as at the Effective Date be and is hereby reduced and cancelled and the credit arising from such reduction be applied to set off against an equal amount of the accumulated losses of the Company (the “**Share Premium Reduction**”); and
 - (b) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate or necessary to effect and implement the Share Premium Reduction.”

By order of the Board
CHINA E-LEARNING GROUP LIMITED
Chen Hong
Chairman

Hong Kong, 18 January 2013

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 3306, 33rd Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:—

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of authority, must be delivered at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting at the extraordinary general meeting or any adjournment thereof and in such event, the instrument appointing the proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises two executive Directors, namely Mr. Chen Hong (Chairman) and Ms. Wei Jianya; one non-executive Director, namely Mr. Li Xiangjun; and two independent non-executive Directors, namely Dr. Huang Chung Hsing and Mr. Cheung Wai Tak.

This notice, for which 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 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 notice is accurate and complete in all material respects and no misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.

This notice 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.