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If you have sold or transferred all your shares in China E-Learning Group Limited (the “Company”), 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.



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)

REFRESHMENT OF EXISTING GENERAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 26 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Unit 2610, 26th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on Friday, 28 March 2014 at 11:00 a.m. is set out on pages 27 to 28 of this circular and a form of proxy for use at the extraordinary general meeting is enclosed herewith.

Whether or not you intend to attend the extraordinary general 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 extraordinary general meeting or any adjournment thereof should you so wish.

This circular together with a form of proxy form will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

7 March 2014

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>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	17
Letter from Independent Financial Adviser	18
Notice of Extraordinary General Meeting	27

DEFINITIONS

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

“Agreement”	the shares transfer agreement dated 31 October 2013 and entered into between the Company as vendor and the Purchaser as purchaser in relation to the Disposal and the Transfer
“2013 AGM”	the annual general meeting of the Company held on 15 May 2013
“Articles”	the articles of association of the Company as amended from time to time, and “Article” shall mean an article of the Articles
“associate(s)”	shall have the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“CN2011A”	the convertible notes issued by the Company with an aggregate outstanding 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)
“CN2011D”	the convertible notes issued by the Company with an aggregate outstanding principal amount of HK\$12,800,000 conferring rights to convert into a total of 25,600,000 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)
“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)
“CN2014-3”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$10,000,000 conferring rights to convert into a total of 100,000,000 Shares issued by the Company on the basis of a conversion price of HK\$0.1 per Share (subject to adjustment)

DEFINITIONS

“CN2014-4”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$4,234,400 conferring rights to convert into a total of 42,344,000 Shares issued by the Company on the basis of a conversion price of HK\$0.1 per Share (subject to adjustment)
“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)”	shall have the meaning ascribed to it under the GEM Listing Rules
“Convertible Notes”	CN2014-1, CN2014-2, CN2014-3, CN2014-4, CN2011A, CN2011D, ETCN and EICN
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held at Unit 2610, 26th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on Friday, 28 March 2014 at 11:00 a.m. to consider and, if thought fit, to pass the resolutions to approve the refreshment of the Existing General Mandate
“EICN”	the convertible notes issued by the Company with an aggregate outstanding 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)
“ETCN”	the convertible notes issued by the Company with an aggregate outstanding 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)
“Everjoy International”	Everjoy International Media Corporation, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Everjoy Technology”	Everjoy Technology Development Corporation, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the 2013 AGM to allot, issue or deal with up to a maximum of 294,375,780 new Shares, representing 20% of the issued share capital of the Company as at the date of the 2013 AGM
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy to advise the Independent Shareholders on the refreshment of the Existing General Mandate
“Independent Financial Adviser”	Fortune Financial Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors), chief executive of the Company and their respective associates
“Latest Practicable Date”	5 March 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New General Mandate”	the new mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“Online Ticketing System”	Automated Online Ticketing Sales Platform Software* (網路線上票務自動銷售平臺系統) for selling of tickets of cultural, entertainment and sports events

DEFINITIONS

“Profit Guarantees”	the profit guarantees provided by the respective vendor of Everjoy International and Everjoy Technology to the Company under the agreements pursuant to which the Company acquired the Subsidiaries
“Profit-Linked EICN”	the convertible notes in the principal amount of up to HK\$24,000,000 issued or to be issued by the Company to Mr. Lee Chi Kong for settlement of part of the consideration for the Company’s acquisition of Everjoy International
“Profit-Linked ETCN”	the convertible notes in the principal amount of up to HK\$6,000,000 issued or to be issued by the Company to Ms. Hong Kit Yin Stella for settlement of part of the consideration for the Company’s acquisition of Everjoy Technology
“Purchaser”	Glowing City Holdings Limited, a company incorporated in the BVI with limited liability
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	Everjoy International and Everjoy Technology
“Transfer”	the transfer of the Online Ticketing System and its right, title and interest in certain intellectual property by the Company to the Purchaser pursuant to the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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 Director:

Mr. Yuan Wei

Non-executive Director:

Mr. Li Xiangjun

Independent Non-executive Directors:

Mr. Li Qunsheng

Dr. Huang Chung Hsing

Ms. Li Ya Ru Nancy

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Unit 2610, 26th Floor

Office Tower

Convention Plaza

No. 1 Harbour Road, Wanchai

Hong Kong

7 March 2014

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF EXISTING GENERAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Directors proposed to refresh the Existing General Mandate by way of granting the New General Mandate.

The purpose of this circular is to provide you with: (i) the details of the refreshment of the Existing General Mandate; (ii) the recommendation from the Independent Board Committee relating to the refreshment of the Existing General Mandate; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing General Mandate; and (iv) the notice of the EGM.

LETTER FROM THE BOARD

REFRESHMENT OF EXISTING GENERAL MANDATE TO ISSUE NEW SHARES

At the 2013 AGM, the Shareholders passed an ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and otherwise deal with a maximum of 294,375,780 new Shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolution. The Existing General Mandate has been utilized as to 252,344,000 Shares, representing approximately 85.72% of the number of Shares which are allowed to be allotted and issued under the Existing General Mandate.

As set out in the announcements of the Company dated 29 November 2013 and 16 December 2013, the Company entered into a subscription agreement on 29 November 2013 with a subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for, 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).

On the same day, the Company also entered into another subscription agreement with another subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for 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).

Furthermore, as set out in the announcements of the Company dated 10 December 2013 and 18 December 2013, the Company entered into a subscription agreement on 10 December 2013 with a subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for, CN2014-3 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).

On the same day, the Company also entered into another subscription agreement with another subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for CN2014-4 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).

As at the Latest Practicable Date, the conversion rights attaching to CN2014-3 and CN2014-4 have been exercised in full and therefore, 142,344,000 Shares have been issued.

There has been no refreshment of the Existing General Mandate since the 2013 AGM. As the refreshment of the Existing General Mandate is to be proposed to the Shareholders before the Company's next annual general meeting, pursuant to the GEM Listing Rules, the refreshment of the Existing General Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM.

LETTER FROM THE BOARD

REASONS FOR REFRESHMENT OF THE EXISTING GENERAL MANDATE

The convertible notes of CN2011A issued on 9 May 2011 carry the rights to convert into conversion shares at the conversion price of HK\$0.50 per Share (subject to adjustment). As at the Latest Practicable Date, the aggregate outstanding principal under CN2011A was in the amount of HK\$29,999,934. Such outstanding principal amount together with interest accrued thereon at the rate of 1% per annum shall be due and payable on 9 May 2014 if the holders thereof do not exercise the conversion rights attaching to CN2011A during the relevant conversion period, that is, from the issue date of CN2011A up to the fifth business day immediately before its maturity date.

As disclosed in the Company's 2013 interim report published on 13 August 2013, the Group had cash and bank balance of approximately HK\$22,354,000 as at 30 June 2013.

As at the Latest Practicable Date, it was still uncertain as to whether the holders of CN2011A will exercise the conversion rights attaching thereto. If the holders of CN2011A do not exercise the conversion rights attaching to CN2011A, the Board will then review the financial needs of the Company about three weeks before 9 May 2014, namely the maturity date of CN2011A, including the working capital needs for the Group's business operations and for repayment of any borrowings and the Convertible Notes which may fall due.

The Board will explore all possible avenues of funding resources for the Company, including but not limited to the Group's internal cash flow, borrowings from financial institutions and equity fund-raising activities such as issue of Shares, warrants, convertible notes or other kinds of securities of the Company. As a market practice, it will normally take approximately two to three weeks to conduct and complete an equity fund-raising activity. Therefore, in the event that the Board considers that an equity fund-raising is the best option for the Company to raise the necessary funding, the Company will need to have the flexibility and capacity to be able to conduct such equity fund-raising activity in a timely manner. However, as at the Latest Practicable Date, the Company can only allot and issue up to 42,031,780 new Shares under the Existing General Mandate and the Board believes that the Existing General Mandate does not provide sufficient financial flexibility to the Company. Since the next annual general meeting of the Company will only be held in around mid-May 2014 for, inter alia, refreshing the Existing General Mandate, the Board considers that it will be in the interest of the Company and its Shareholders as a whole if the Board can be granted the New General Mandate at the EGM to be held in March 2014.

Apart from the repayment obligation under CN2011A and the working capital requirements of the Group, considering the uncertainties in the global financial market, the Directors are also of the view that it is reasonable for the Company to seek for any opportunities to widen the sources of funds of the Company including the refreshment of Existing General Mandate with a view to creating more buffer for the Company to mitigate the business and financial risks. As at the Latest Practicable Date, although the Company has not identified or was not considering any potential investment opportunities, and the Company did not have any arrangements, undertakings or negotiations relating to any possible equity fund raising activities, the Directors consider that the refreshment of the Existing General Mandate can ensure the stability and development of the business of the Group instead of postponing the refreshment until the moment when the Company has insufficient fund to maintain its business.

LETTER FROM THE BOARD

After the 2013 AGM, the Directors believe that the Shareholders share the same vision as the Board and support its decisions regarding the future development of the Company. The Board believes that, as a responsible and prudent management and the board of directors of a listed company, the overall strategy and the direction of the Company must be continually adjusted so as to maximize its value when there are changes in the industry, business and the operating environment.

The Board endeavors to improve the business of the Company, by proposing the refreshment of the Existing General Mandate that would widen the sources of funds of the Company. The financial flexibility provided by the refreshment of Existing General Mandate will equip the Group with a competitive edge to pass through the possible uncertainties in the business environments, industries and global financial market.

NEW GENERAL MANDATE

As at the Latest Practicable Date, the Company had an aggregate of 1,634,222,902 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the refreshment of the Existing General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue up to 326,844,580 new Shares, being 20% of the aforesaid total issued share capital of the Company as at the date of the EGM.

The New General Mandate will, if granted, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held in accordance with the Articles or any applicable laws of the Cayman Islands; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

LETTER FROM THE BOARD

EQUITY 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 Latest Practicable Date 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 aggregated 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 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 aggregated 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 CN2014-2	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company

LETTER FROM THE BOARD

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
10 December 2013 and 18 December 2013	Issue of CN2014-3 with an aggregated 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 CN2014-3	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 CN2014-4 with an aggregated 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 CN2014-4	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 Latest Practicable Date.

LETTER FROM THE BOARD

POTENTIAL DILUTION TO SHAREHOLDING OF THE EXISTING PUBLIC SHAREHOLDERS

The table below sets out the shareholding structure of the Company (i) as the Latest Practicable Date; (ii) upon full utilisation of the New General Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM); and (iii) upon full utilization of the New General Mandate (assuming that the conversion rights attaching to the Convertible Notes are exercised in full before the date of the EGM and no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM):

	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming that no other Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM)		Upon full utilisation of the New General Mandate (assuming that the conversion rights attaching to the Convertible Notes are exercised in full before the date of the EGM and no other Shares would be issued and/or repurchased by the Company)	
	<i>Approximately % of the issued share</i>	<i>Approximately % of the issued share</i>	<i>Approximately % of the issued share</i>	<i>Approximately % of the issued share</i>	<i>Approximately % of the issued share</i>	<i>Approximately % of the issued share</i>
	<i>Number of Shares</i>	<i>capital of the Company</i>	<i>Number of Shares</i>	<i>capital of the Company</i>	<i>Number of Shares</i>	<i>capital of the Company</i>
Substantial Shareholder						
Yang Dong Jun	207,554,896	12.70	207,554,896	10.58	207,554,896	8.80
Director						
Li Xiangjun	313,590	0.019	313,590	0.016	313,590	0.013
Public Shareholders						
holder of CN 2014-1	—	—	—	—	60,000,000	2.54
holder of CN 2014-2	4,050,000	0.25	4,050,000	0.21	54,050,000	2.29
holder of CN 2014-3	100,000,000	6.12	100,000,000	5.10	100,000,000	4.24
holder of CN 2014-4	42,344,000	2.59	42,344,000	2.16	42,344,000	1.80
holder of CN2011A	—	—	—	—	59,999,868	2.54
holder of CN2011D	—	—	—	—	25,600,000	1.09
holder of ETCN	—	—	—	—	19,223,812	0.82
holder of EICN	200,000	0.012	200,000	0.010	116,671,912	4.95
Chen Hong (<i>Note</i>)	35,198,480	2.15	35,198,480	1.79	35,198,480	1.49
Other existing public shareholders	1,244,561,936	76.16	1,244,561,936	63.46	1,244,561,936	52.77
Subtotal	1,426,354,416	87.28	1,426,354,416	72.73	1,757,650,008	74.52
Shares to be issued under the New General Mandate	—	—	326,844,580	16.67	393,103,698	16.67
Total	<u>1,634,222,902</u>	<u>100.00</u>	<u>1,961,067,482</u>	<u>100.00</u>	<u>2,358,622,192</u>	<u>100.00</u>

Note: Mr. Chen Hong held 35,198,480 Shares, representing 2.15% of the total share capital of the Company in issue as at the Latest Practicable Date. He was an executive Director until his resignation with effect from 14 February 2014 as disclosed in the announcement of the Company dated 14 February 2014.

LETTER FROM THE BOARD

MAXIMUM DILUTION EFFECT ON SHAREHOLDING OF EXISTING PUBLIC SHAREHOLDERS

As illustrate in the table above, existing Shareholders will be subject to further dilution of their shareholding in the Company upon the full utilization of the New General Mandate. The shareholding of the existing public Shareholders (excluding holders of Convertible Notes) would decrease from approximately 76.16% as at the Latest Practicable Date (i) to approximately 63.46% upon full utilisation of the New General Mandate, which represents a 12.70% dilution (assuming no other Shares would be issued or repurchased by the Company from the Latest Practicable Date up to the date of the EGM); and (ii) to approximately 52.77% upon full utilization of the New General Mandate, which represents a 23.39% dilution (assuming the conversion rights attaching to the Convertible Notes are exercised in full before the date of the EGM and no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM).

LETTER FROM THE BOARD

DETAILS ON CONVERTIBLE NOTES, WARRANTS AND OPTIONS

The details of the holders of the Convertible Notes and the issue date and maturity date of the respective Convertible Notes are summarised as follows:

Convertible Notes	Holders of Convertible Notes	Outstanding principal amount as at the Latest Practicable Date (HK\$)	Issue Date	Maturity Date
CN2014-1	王仞	6,000,000	29 November 2013	29 November 2014
CN2014-2	吳廣澤	5,000,000	29 November 2013	29 November 2014
CN2014-3	劉子奎	—	10 December 2013	—
CN2014-4	閻德麗	—	10 December 2013	—
CN2011A	李偉	6,000,000	9 May 2011	9 May 2014
	吳素霞	6,000,000	9 May 2011	9 May 2014
	吳麗萍	6,000,000	9 May 2011	9 May 2014
	魏娜	2,000,000	9 May 2011	9 May 2014
	中策集團有限公司	9,999,934	9 May 2011	9 May 2014
CN2011D	Zhou Junyu (周俊宇)	2,800,000	6 September 2011	6 March 2014
	Du Runan (杜潤南)	10,000,000	6 September 2011	6 March 2014
ETCN	Hong Kit Yin Stella	2,000,000	20 December 2012	20 December 2015
	梁繼紅	7,611,906	20 December 2012	20 December 2015
EICN	Lee Chi Kong	3,000,000	20 December 2012	20 December 2015
	于曉紅	32,000,000	20 December 2012	20 December 2015
	李夢雪	23,235,956	20 December 2012	20 December 2015

As at the Latest Practicable Date, 136,166,633 options remained outstanding and unexercised, and the Company had no warrants or convertible securities other than the aforementioned Convertible Notes.

LETTER FROM THE BOARD

Disposal of the Subsidiaries

Reference is made to the Company's announcement dated 27 February 2014 in relation to the Disposal of the Subsidiaries and the Transfer of the Online Ticketing System.

On 27 February 2014, Roma Appraisals Limited, being an independent professional valuer jointly appointed by the parties to the Agreement, issued its reports on the fair values of the Subsidiaries and the Online Ticketing System. Thus, the considerations for the Disposal at RMB20,600,000 (equivalent to approximately HK\$26,368,000) and for the Transfer at RMB2,800,000 (equivalent to approximately HK\$3,584,000) have been fixed.

The Board expects that completion of the Disposal and the Transfer will take place in early March of 2014.

The Board estimates that the net proceeds from the Disposal and the Transfer (after deduction of relevant costs and expenses) will amount to approximately HK\$29,432,000. It is intended that part of the proceeds from the Disposal and the Transfer in the sum of HK\$13,760,000 will be applied to repay the outstanding principal amount and accrued interest under CN2011D (assuming that the holders of CN2011D will not exercise any of the conversion right attaching thereto before the maturity date, that is, 6 March 2014), and the balance in the sum of approximately HK\$15,672,000 will be applied for the general working capital of the Group.

Status of Profit Guarantees

As disclosed in the Company's circular dated 29 June 2012 in respect of the Company's acquisition of the Subsidiaries, (i) the vendor of Everjoy International guarantees that the aggregated audited net profit after tax of Everjoy International for the two years ended 31 December 2012 will not be less than HK\$24,000,000; and (ii) the vendor of Everjoy Technology guarantees to the Company that the aggregated audited net profits after tax of Everjoy Technology for the two years ended 31 December 2012 shall not be less than HK\$2,500,000. The considerations for the Company's acquisition of the Subsidiaries will be adjusted and reduced if the Profit Guarantees are not met.

As the aggregated audited net profit after tax of the Subsidiaries for the year ended 31 December 2011 have partially met the Profit Guarantees, the Company has issued (i) the Profit-linked EICN in the principal amount of HK\$8,635,956 to the vendor of Everjoy International and (ii) the Profit-linked ETCN in the principal amount of HK\$2,611,906 to the vendor of Everjoy Technology.

As the Subsidiaries have not recorded any net profit after tax for the year ended 31 December 2012 and therefore failed to meet the Profit Guarantees, the Company is no longer required to issue any further Profit-linked EICN or Profit-linked ETCN. As a result, the considerations for the Company's acquisition of the Subsidiaries are deemed to be adjusted and reduced to HK\$60,235,956 for Everjoy International and HK\$17,611,906 for Everjoy Technology, which have been settled by the Company in full.

LETTER FROM THE BOARD

IMPLICATION OF THE LISTING RULES

Pursuant to Rule 17.42A of the GEM Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. Since the Company has no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions at the EGM.

As at the Latest Practicable Date, Mr. Li Xiangjun, a non-executive Director, held 313,590 Shares. Accordingly, Mr. Li Xiangjun and his associates, who in aggregate held approximately 0.019% of the total number of issued Shares, shall abstain from voting in favour of the ordinary resolution in respect of the refreshment of the Existing General Mandate to be proposed at the EGM.

If any of the holders of CN2011A exercise the conversion right attaching to CN2011A and therefore become Shareholders, they will be required to abstain from voting on the resolution approving the New General Mandate at the EGM as having material interests in relation to such resolution. Save and except holders of CN2011A, all other holders of the Convertible Notes have no material interests in relation to the resolution approving the New General Mandate and therefore they are not required to abstain from voting on such resolution at the EGM if any of them have exercised the conversion right attaching to the Convertible Notes and become Shareholders.

EGM

At the EGM, ordinary resolutions will be proposed to refresh the Existing General Mandate to issue new Shares. A notice convening the EGM to be held at Unit 2610, 26th Floor, Office Tower, Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong, at 11:00 a.m. on Friday, 28 March 2014 is set out on pages 27 to 28 of this circular for the purposes of considering and, if thought fit, passing the resolutions as set out therein.

Proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders on whether the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection therewith. The text of the letter from Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 26 of this circular and the text of the letter from Independent Board Committee to the Independent Shareholders is set out on page 17 of this circular.

The Directors consider that the refreshment of the Existing General Mandate as set out in the notice of the EGM is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of all resolutions to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out from page 17 of this circular. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which set out its recommendation in respect of the refreshment of the Existing General Mandate and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from the Independent Financial Adviser is set out on pages 18 to 26 of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the granting of the New General Mandate.



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)

7 March 2014

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 7 March 2014 (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee and to advise (i) the Independent Shareholders in respect of the grant of the New General Mandate which will enable the Directors to exercise the power of the Company to allot, issue and otherwise deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM and (ii) to advise whether or not it would be fair and reasonable and in the interests of the Company and the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the grant of the New General Mandate.

We wish to draw your attention on the letter of advice from the Independent Financial Adviser as set out on pages 18 to 26 of the Circular and the letter from the Board as set out on pages 5 to 16 of the Circular. Having considered, among other things, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we are of opinion that the grant of the New General Mandate are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote for the ordinary resolutions in relation to the refreshment of the Existing General Mandate to be proposed at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Li Qunsheng

Dr. Huang Chung Hsing

Ms. Li Ya Ru Nancy

Independent Non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



Fortune Financial Capital Limited

35th Floor

Office Tower Convention Plaza

1 Harbour Road, Wanchai

Hong Kong

7 March 2014

*To: The Independent Board Committee and the Independent Shareholders of
China E-Learning Group Limited*

Dear Sirs,

REFRESHMENT OF EXISTING GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of Existing General Mandate by way of grant of the New General Mandate (the “**Refreshment of General Mandate**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 7 March 2014 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshment of General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders (as defined in the GEM Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution(s) proposed for approving the Refreshment of General Mandate, and under 17.47(4) of the GEM Listing Rules, the vote of the Independent Shareholders in respect of the Refreshment of General Mandate at the EGM must be taken by way of poll.

As set out in the Letter from the Board, as at the Latest Practicable Date, there was no controlling shareholder as defined in the GEM Listing Rules, and the Directors (excluding independent non-executive Directors) and chief executive of the Company and their respective associates are required to abstain from voting in favour thereon. As at the Latest Practicable Date, Mr. Li Xiangjun, a non-executive Director, was interested in 313,590 issued Shares, representing approximately 0.019% of the total issued share capital of the Company. Therefore, Mr. Li Xiangjun and his associates will abstain from voting in favour of the resolution regarding the Refreshment of General Mandate at the EGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy (all being independent non-executive Directors), has been established by the Company to advise the Independent Shareholders as to whether the Refreshment of General Mandate is in the best interest of the Company and its Shareholders, and fair and reasonable so far as the Independent Shareholders are concerned. We, Fortune Financial Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquires and careful considerations by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the GEM Listing Rules, for the purpose of giving information with regard to the Company. The Directors have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, the information contained in the Circular 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 the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in relation to the Refreshment of General Mandate and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background of the Refreshment of General Mandate

The principal activities of the Company are derived from the provisions of occupational education, industry certification course, skills training, education consultation services and ticketing sales.

At the 2013 AGM, the Shareholders passed an ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and otherwise deal with a maximum of 294,375,780 Shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolution. The Existing General Mandate has been utilized as to 252,344,000 Shares, representing approximately 85.72% of the aggregate number of Shares, which have been allowed to be allotted and issued under the Existing General Mandate, as a result of the issue of 110,000,000 Shares upon exercise of the conversion rights attaching to both CN2014-1 and CN2014-2 in full and the issue of 142,344,000 Shares upon exercise of the conversion rights attaching to both CN2014-3 and CN2014-4 in full, details of which are set out in the announcements of the Company dated 29 November 2013, 10 December 2013, 16 December 2013 and 18 December 2013, respectively.

According to the Letter from the Board, as the Latest Practicable Date, the conversion rights attaching to CN2014-3 and CN2014-4 have been exercised in full and therefore, 142,344,000 Shares have been issued.

As advised by the Company, the next annual general meeting of the Company is expected not to be held until May 2014 (the “**Forthcoming AGM**”). Given that approximate 85.72% of the Existing General Mandate has been utilised, if the Existing General Mandate is not refreshed, the Directors would be allowed to further allot and issue up to 42,031,780 Shares under the Existing General Mandate until renewal of the Existing General Mandate by the Shareholders at the Forthcoming AGM. As at the Latest Practicable Date, the Company had 1,634,222,902 Shares in issue. Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of the EGM, the Refreshment of General Mandate (if granted) would allow the Directors to issue, allot and deal with up to 326,844,580 new Shares, representing approximately 20% of the total issued share capital of the Company as at the date of the EGM.

2. Reasons for the Refreshment of General Mandate

On 9 May 2011, the Company issued CN2011A with the aggregate principal amount of HK\$89,999,934, the maturity date of which is 36 months from the date of issue i.e. 9 May 2014. As at the Latest Practicable Date, the outstanding principal amount under CN2011A amounted to HK\$29,999,934. As the Forthcoming AGM will not be held until May 2014, the Directors are of the view that the grant of the New General Mandate should be sought from the Shareholders at the EGM to provide with the Company flexibility to conduct equity financing to cater for the possible redemption request from the holders of CN2011A upon maturity.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, it was still uncertain as to whether the holders of CN2011A will exercise the conversion rights attaching thereto. If holders of CN2011A do not exercise the conversion rights attaching to CN2011A about 3 weeks before 9 May 2014, i.e. the maturity date of CN2011A, the Directors will then review the financial needs of the Company, including the working capital needs for the Group's business operations and for repayment of any borrowings and the Convertible Notes which may fall due. As advised by the Directors, the Company will explore all possible avenues of funding resources for the Company, including but not limited to the Group's internal cash flow, borrowings from financial institutions and equity fund-raising activities such as issue of Shares, warrants, convertible notes or other kinds of securities of the Company. As a market practice, it will normally take approximately two to three weeks to conduct and complete an equity fund-raising activity. Therefore, in the event that the Directors consider that an equity fund-raising is the suitable option for the Company, the Company will need to have the flexibility and capacity to be able to conduct such equity fund-raising activity in a timely manner.

As shown in the interim report for the six months ended 30 June 2013 ("**Interim Report 2013**") , the Group had approximately HK\$22.35 million of cash and bank balances as at 30 June 2013. As advised by the Directors, they are of the view that as at the Latest Practicable Date, the Group has sufficient working capital to meet its present operational requirements. However, in view of the upcoming maturity date of CN2011A on 9 May 2014 as aforementioned, the Directors consider that the Refreshment of General Mandate needs to be conducted before the Forthcoming AGM so that the Company will have the ability to conduct the necessary equity fund-raising activity to relieve the pressure on the Company's sufficiency of cash flow. The Directors consider that the Refreshment of General Mandate can ensure the stability and development of the business of the Group instead of postponing the refreshment until the moment when the Company has insufficient fund to maintain its business.

The Directors confirm that the Company has no immediate funding need save as the possible redemption requests from the holders of CN2011A upon maturity as disclosed above.

Based on the above, we consider that (i) the Company may have funding needs due to the possible requests of redemption from the holders of CN2011A; and (ii) the New General Mandate would provide the Company with the flexibility to issue and allot new Shares for equity fund raising activities, such as placing of new Shares or issuing convertible securities, we therefore consider that the Refreshment of General Mandate is reasonable and in the interest to the Company and its shareholders as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

3. Equity 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 Latest Practicable Date 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 aggregated 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	For setoff of the existing debt of the Company	For setoff of the existing debt of the Company
29 November 2013 and 16 December 2013	Issue of CN2014-2 with an aggregated 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	For setoff of the existing debt of the Company	For setoff of the existing debt of the Company

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
10 December 2013 and 18 December 2013	Issue of CN2014-3 with an aggregated 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	For setoff of the existing debt of the Company	For setoff of the existing debt of the Company
10 December 2013 and 18 December 2013	Issue of CN2014-4 with an aggregated 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	For setoff of the existing debt of the Company	For setoff 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 Latest Practicable Date.

4. Other financing alternatives

As advised by the Directors, apart from equity financing, the Company will also consider other financing alternatives such as debt financing, rights issue or open offer for any future financial needs. However, debt financing may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors if the Refreshment of General Mandate is granted. Furthermore, rights issue or open offer may also involve substantial time and cost to complete as compared to equity financing through issuance of new shares under general mandate.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As disclosed in the Company's latest annual report for the year ended 31 December 2012 ("**Annual Report 2012**") and the Interim Report 2013, the Company had net liabilities of HK\$22.84 million and HK\$21.84 million as at 31 December 2012 and 30 June 2013, respectively. As set out in the Interim Report 2013, the loss attributable to owners of the Company was approximately HK\$8.15 million for the six months ended 30 June 2013. After considering the financial performance and position above, we are of the view that the Company might not be easy to obtain debt financing in favourable terms to the Group and negotiation of the borrowing terms may be time consuming.

Given the financial performance of the Group, although the allotment and issuance of new Shares without substantial discount may not be attractive to potential investors, equity financing through issuance of new shares or convertible securities may allow the Group to raise fund in a timely manner as compared to the other aforesaid financing alternatives. Taking into account the Group's potential needs to make the repayment for the possible request of redemption from the holders of CN2011A within a limited period of time, we are of the view that equity financing through the New General Mandate is a reasonable way to satisfy the aforementioned financial needs.

As advised by the Directors, they consider that equity financing is an important funding resource to the Group, as it (i) does not incur any interest-paying obligations on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the flexibility and capability to capture any capital raising to satisfy the financial needs as and when it arises. The Directors consider that such ability is crucial in a competitive and rapidly changing business environment.

The Directors will consider the cost and the terms of the funding to decide the most appropriate means of financing in order to maximise the benefit to the Shareholders and will exercise due and careful consideration when choosing the best method of financing for the Company.

Taking into account the above, we consider that the Refreshment of General Mandate will provide the Company with an additional financing alternative and it is reasonable for the Company to have higher degree of flexibility in deciding the financing method for its future business development.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

5. Potential dilution to shareholding of the existing public Shareholders

The table below (which is for illustration only) sets out the shareholding structure of the Company (i) as the Latest Practicable Date; (ii) upon full utilisation of the New General Mandate (assuming that no other changes in the issued share capital of the Company); and (iii) upon full utilisation of the New General Mandate (assuming that the conversion rights attaching to the Convertible Notes are exercised in full before the date of the EGM and no other changes in the issued share capital of the Company):

	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming that no other changes in the issued share capital of the Company)		Upon full utilisation of the New General Mandate (assuming that the conversion rights attaching to the Convertible Notes are exercised in full before the date of the EGM and no other changes in the issued share capital of the Company)	
	Number of Shares	Approximately % of the issued share capital of the Company	Number of Shares	Approximately % of the issued share capital of the Company	Number of Shares	Approximately % of the issued share capital of the Company
Substantial Shareholder						
Yang Dong Jun	207,554,896	12.70	207,554,896	10.58	207,554,896	8.80
Director						
Li Xiangjun	313,590	0.019	313,590	0.016	313,590	0.013
Public Shareholders						
holder of CN 2014-1	—	—	—	—	60,000,000	2.54
holder of CN 2014-2	4,050,000	0.25	4,050,000	0.21	54,050,000	2.29
holder of CN 2014-3	100,000,000	6.12	100,000,000	5.10	100,000,000	4.24
holder of CN 2014-4	42,344,000	2.59	42,344,000	2.16	42,344,000	1.80
holder of CN2011A	—	—	—	—	59,999,868	2.54
holder of CN2011D	—	—	—	—	25,600,000	1.09
holder of ETCN	—	—	—	—	19,223,812	0.82
holder of EICN	200,000	0.012	200,000	0.010	116,671,912	4.95
Chen Hong (<i>Note</i>)	35,198,480	2.15	35,198,480	1.79	35,198,480	1.49
Other existing public shareholders	1,244,561,936	76.16	1,244,561,936	63.46	1,244,561,936	52.77
Subtotal	1,426,354,416	87.28	1,426,354,416	72.73	1,757,650,008	74.52
Shares to be issued under the New General Mandate	—	—	326,844,580	16.67	393,103,698	16.67
Total	1,634,222,902	100.00	1,961,067,482	100.00	2,358,622,192	100.00

Note: Mr. Chen Hong held 35,198,480 Shares, representing approximately 2.15% of the total share capital of the Company in issue as at the Latest Practicable Date. He was an executive Director until his resignation with effect from 14 February 2014 as disclosed in the announcement of the Company dated 14 February 2014.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The table above illustrates that the shareholding of the other existing public Shareholders (excluding holders of the Convertible Notes) would decrease from approximately 76.16% as at the Latest Practicable Date (i) to approximately 63.46% upon full utilisation of the New General Mandate (assuming no other changes in the issued share capital of the Company); and (ii) to approximately 52.77% upon full utilization of the New General Mandate (assuming the conversion rights attaching to the Convertible Notes are exercised in full before the date of the EGM and no other changes in the issued share capital of the Company). The potential maximum dilution effect to the existing Shareholders arising from the Shares to be issued under the New General Mandate will be approximately 16.67%, which we consider such dilution effect to be acceptable having considered the enhancement of financial flexibility to the Group as a result of the Refreshment of General Mandate.

Taking into account that (i) the Refreshment of General Mandate allows the Company to raise capital by allotment and issuance of new Shares before the Forthcoming AGM; (ii) the Refreshment of General Mandate provides flexibility for financing to the Group for future possible funding needs; and (iii) the shareholding of all Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate, we consider that the potential dilution to the shareholdings of the existing public Shareholders as mentioned above is acceptable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated under the section headed “PRINCIPAL FACTORS AND REASONS CONSIDERED” in this letter, we consider that the Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and the grant of the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and also the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,
For and on behalf of

FORTUNE FINANCIAL CAPITAL LIMITED

Eric Koo
Managing Director

Stanley Chung
Director

NOTICE OF THE 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 IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of China E-Learning Group Limited (the “Company”) will be held at Unit 2610, 26th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 28 March 2014 to consider and, if thought fit, to pass with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as defined in paragraph (d)) of all the powers of the Company to allot, issue and deal with securities of the Company including shares of HK\$0.10 each in the capital of the Company and to make or grant any offers, agreements or options including bonds and warrants to subscribe for shares, which might require securities of the Company to be issued, allotted or disposed of be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant any offers, agreements and options, including bonds and warrants to subscribe for shares, which would or might require the exercise of such powers whether during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d)) or (ii) the grant or exercise of any option under the share option scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (d) for the purpose of this resolution “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the articles of association of the Company to be held; and (iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution.”

“**Rights Issue**” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).

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

Hong Kong, 7 March 2014

Registered office:
Cricket Square
Hutchins Drive
P.o. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal Place of Business
in Hong Kong:*
Unit 2610, 26th Floor
Office Tower
Convention Plaza
No.1 Harbour Road, Wanchai
Hong Kong

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 one executive Director, namely Mr. Yuan Wei; one non-executive Director, namely Mr. Li Xiangjun; and three independent non-executive Directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.