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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 (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 16 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 17 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, 10 October 2014 at 11:00 a.m. is set out on pages 27 to 29 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.

23 September 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.

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DEFINITIONS

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

“2014 AGM”	the annual general meeting of the Company which was held on 23 May 2014
“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)”	has the same meaning as defined in the GEM Listing Rules
“Board”	the board of directors of the Company
“CN2014-1”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$6,000,000 conferring rights to convert into a total of 60,000,000 Shares to be issued by the Company on the basis of a conversion price of HK\$0.1 per Share (subject to adjustment) on 16 December 2013
“CN2014-2”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$5,000,000 conferring rights to convert into a total of 50,000,000 Shares to be issued by the Company on the basis of a conversion price of HK\$0.1 per Share (subject to adjustment) on 16 December 2013
“CN2016”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$42,399,932 conferring rights to convert into a total of 326,153,321 Shares to be issued by the Company on the basis of a conversion price of HK\$0.13 per Share (subject to adjustment) on 6 June 2014
“CN2016A”	the 1% per annum coupon rate convertible notes issued by the Company in the aggregate principal amount of HK\$40,775,000 conferring rights to convert into a total of 285,139,860 Shares to be issued by the Company on the basis of a conversion price of HK\$0.143 per Share (subject to adjustment) on 8 July 2014; as at the Latest Practicable Date, only the convertible notes in the aggregate principal amount of HK\$25,045,000 are still outstanding
“Company”	China E-Learning Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Convertible Notes”	EICN and ETCN and CN2016A
“Directors”	directors of the Company
“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, 10 October 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 1% coupon rate convertible notes issued by the Company on 20 December 2012 with an aggregate principal amount of HK\$58,235,956 conferring rights to convert to a total of 116,471,912 Shares on the basis of a conversion price of HK\$0.50 per Share (subject to adjustment); as at the Latest Practicable Date, all of the principal amount of the convertible note is still outstanding
“ETCN”	the 1% coupon rate convertible notes issued by the Company on 20 December 2012 with an aggregate principal amount of HK\$9,611,906 conferring rights to convert to a total of 19,223,812 Shares on the basis of a conversion price of HK\$0.50 per Share (subject to adjustment); as at the Latest Practicable Date, the principal amount of HK\$2,000,000 of the convertible notes conferring rights to convert to a total of 4,000,000 Shares is still outstanding
“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the 2014 AGM to allot, issue or deal with up to a maximum of 331,889,342 new Shares, representing 20% of the issued share capital of the Company as at the date of the 2014 AGM
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	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

DEFINITIONS

“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”	19 September 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
“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
“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. Yuan Wei
Mr. Yang Jilin

Non-executive Director:

Mr. Li Xiangjun

Independent Non-executive Directors:

Dr. Huang Chung Hsing
Mr. Li Qunsheng
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

23 September 2014

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF EXISTING GENERAL MANDATES 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 2014 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 331,889,342 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 285,139,860 Shares, representing approximately 85.91% 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 27 June 2014 and 8 July 2014, the Company entered into a subscription agreement on 27 June 2014 with a subscriber pursuant to which the Company has agreed to issue, and the subscriber has agreed to subscribe for, CN2016A with an aggregate principal amount of HK\$40,775,000, which may be converted into 285,139,860 Shares at the conversion price of HK\$0.143 per Share (subject to adjustment).

There has been no refreshment of the Existing General Mandate since the 2014 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.

FINANCIAL INFORMATION OF THE GROUP

Summary of Financial Position

As at 31 August 2014, the Group recorded cash and cash equivalents of approximately HK\$29 million. The Group did not have any outstanding bank borrowings and the total current liabilities of the Group were approximately HK\$31.58 million which mainly comprised trade and other payables of approximately HK\$30 million, other borrowings of approximately HK\$1.24 million, convertible notes and the related financial derivatives of approximately HK\$0.34 million. The net current assets were approximately HK\$83.88 million. The total non-current liabilities of the Group as at 31 August 2014 were approximately HK\$86.86 million, which comprised mainly the convertible notes of ETCN, EICN and CN2016A. The total outstanding principal amount of convertible notes ETCN and EICN is approximately HK\$60 million which will fall due in December 2015. The outstanding principal amount of convertible notes CN2016A is approximately HK\$25 million which will fall due in July 2016. The other current liabilities of the Group are payable within one year.

The operating and capital expenditures of the Group are funded by cash flow from operations and internal liquidity. As disclosed in the Company's announcements dated 15 August 2014 and 16 September 2014, the Company entered into deeds of amendment and supplement deeds with holders of EICN and ETCN for amending certain terms of EICN and ETCN. Assuming all conditions precedent to completion of such amendments are fulfilled, the conversion price of EICN and ETCN will be reduced to HK\$0.35 per Share and the Company will be entitled to compel the holders of EICN and ETCN to exercise the conversion rights attaching to EICN and ETCN at any time during the conversion period. Assuming that the holders of ETCN and EICN and CN2016A exercise the conversion rights in full, the Company's cash balance as well as the cash flow from the operating activities is sufficient

LETTER FROM THE BOARD

to meet its capital expenditures and working capital requirements and finance its existing business operation for about two years. Notwithstanding that the Group has no imminent financing needs, the Group would require additional amount of cash flow from operation and/or financing to support the future operation of the Company and seek any investment opportunities. Financial sources available to the Group include bank borrowings and equity fund-raising such as issue of shares and convertible notes. In view of the total net liabilities of the Company as at 30 June 2014 in the sum of approximately HK\$31,529,000 as disclosed in the interim report of the Company, the source of funding to the Company is very limited.

Summary of Business Operation

The Group is principally engaged in the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs. The Group's major incomes are predominantly based on the operations and activities of its indirect wholly-owned subsidiary, Hunan IIN Medical Network Technology Development Company Limited (“**Hunan IIN Medical**”), which is principally engaged in e-learning business in relation to Chinese Medicine in collaboration with the Beijing University of Chinese Medicine in mainland China. For the six months ended 30 June 2014, an unaudited turnover of approximately HK\$28.2 million, an unaudited gross profit of approximately HK\$17.1 million and an unaudited net profit of approximately HK\$17 million were derived from the provision of this e-learning business which is the main business and major operational funding sources of the Group. The major costs of the said e-learning business include staff cost, printing cost, tutor travelling cost, tuition operating cost, purchase of equipment and equipment maintenance cost.

At present, the e-learning business launched six subjects including Chinese herbalist, Chinese medicine, Chinese medicine aftercare, acupuncture, business administration, public utilities administration and with three levels, being bachelor's degree, top-up degree and specialty. The graduates are entitled to receive a diploma that is issued by the Beijing University of Chinese Medicine. The students who fulfill certain criteria and successfully complete the relevant courses and programmes receive a bachelor's degree from the Beijing University of Chinese Medicine. The e-learning business receives tuition fees from the students upon provision of the distant learning services.

The e-learning business has established 28 education centres in 18 provinces and cities across the country with over 13,000 attending students and over 30,000 graduates. This business is a stable income source of the Group.

Notwithstanding that the Company has no concrete plans and timeframe for expanding its current business, the Company will continue to keep track of the number of the students enrolled and will consider regularly the popularity of and the demand for the said e-learning education. The Company will open more education centres or even expand its business to other provinces in the PRC if such opportunities arises, the demand for the said e-learning education is high and the Company finds it profitable to do so.

The Company currently has no funding needs for expanding the current business of the above business as the e-learning business stably generates significant income to sustain itself and meet its costs and expenses.

LETTER FROM THE BOARD

This e-learning business will remain the core business of the Group and main cash generator in the near future. The Company anticipates that the e-learning business will continue to grow as it will be principally driven by the rising disposal income of consumers in the PRC and increasing use of an internet platform for education and business in the PRC. As such, the Group will continue to place focus on its e-learning business in Hunan IIN Medical.

Working Capital Analysis

The following table sets out details of the contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

As at 31 August 2014, Financial Liabilities	On demand or within one year	More than one year but less than two years
Trade and other payables	HK\$30 million	Nil
Other borrowings	HK\$1.24 million	Nil
Convertible Notes	Nil	HK\$86.86 million

REASONS FOR REFRESHMENT OF THE EXISTING GENERAL MANDATE

Considering the uncertainties in the global financial market, the Directors are 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.

After the 2014 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, etc.

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 etc.

LETTER FROM THE BOARD

It is the view of the Company that the Company has encountered some investment opportunities from time to time. The Group's existing internal cash flow may not be sufficient for such investments and this significantly hinders the Company from exploring any good investment opportunities to expand the business activities of the Company and from generating more income for the Group.

In order to maintain a healthy liquidity position of the Group to explore any good investment opportunities in the future, the Board believes that the refreshment of the Existing General Mandate are in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group's future business expansion and development as well as meeting the funding requirement of the Group in case the Company has any good investment opportunities.

Notwithstanding that the Directors have no immediate concrete plan for raising capital by issuing new Shares as at the Latest Practicable Date and that there is currently no immediate concrete proposal presented by potential investors for investment in the Shares, the Board is still proposing to seek the approval of Independent Shareholders at the EGM for the refreshment of the Existing General Mandate such that, should attractive terms for any potential investment opportunities become available, the Board would be able to respond to them promptly as fund raising exercise pursuant to a general mandate provides the Company with a more simple and less lead time process than other types of fund raising exercises as well as to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner. The Directors consider that funding requirements or appropriate investment opportunities may or may not arise at any time prior to the next annual general meeting. If such opportunities arise prior to the next annual general meeting, decisions may have to be made within a limited period of time.

Having said that, if any potential investment opportunities arise or any potential investors offer attractive terms for investment in the Shares subject to the then market conditions or, the Directors will consider and may conduct an equity fund raising exercise by issuing new Shares, the proceeds of which may be used as general working capital and/or supporting the Group's future business development. In view of the above, the Directors consider that the refreshment of the Existing General Mandate is in the best interests of the Company and the Shareholders as a whole.

NEW GENERAL MANDATE

As at the Latest Practicable Date, the Company had an aggregate of 2,297,600,035 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 459,520,007 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 aggregate principal amount of HK\$6,000,000, which may be converted into 60,000,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$6,000,000 has been raised from issue of CN2014-1	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company
29 November 2013 and 16 December 2013	Issue of CN2014-2 with an aggregate principal amount of HK\$5,000,000, which may be converted into 50,000,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$5,000,000 has been raised from issue of CN2014-2	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company
10 December 2013 and 18 December 2013	Issue of convertible notes with an aggregate principal amount of HK\$10,000,000, which may be converted into 100,000,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$10,000,000 has been raised from issue of the convertible notes	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company

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 convertible notes with an aggregate principal amount of HK\$4,234,400, which may be converted into 42,344,000 Shares at the conversion price of HK\$0.10 per Share (subject to adjustment)	Approximately HK\$4,234,400 has been raised from issue of the convertible notes	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company
9 May 2014, 20 May 2014, 30 May 2014 and 6 June 2014	Issue of CN2016 with an aggregate principal amount of HK\$42,399,932, which may be converted into 326,153,321 Shares at the conversion price of HK\$0.13 per Share (subject to adjustment)	Approximately HK\$42,399,932 has been raised from issue of CN2016	For set-off of the existing debt of the Company and set-off of the moneys payable by the Company for redeeming the convertible notes	For set-off of the existing debt of the Company and set-off of the moneys payable by the Company for redeeming the convertible notes
27 June 2014 and 8 July 2014	Issue of CN2016A with an aggregate principal amount of HK\$40,775,000, which may be converted into 285,139,860 Shares at the conversion price of HK\$0.143 per Share (subject to adjustment)	Approximately HK\$40,775,000 has been raised from issue of CN2016A	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company

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

SUMMARY OF OUTSTANDING CONVERTIBLE NOTES, WARRANTS AND OPTIONS

The information of the respective holders, issue dates and maturity dates of the outstanding Convertible Notes are summarized as follows:

Convertible Notes	Holders of Convertible Notes	Outstanding principal amount as at the Latest Practicable Date (HK\$)	Issue Date	Maturity Date
CN2016A	Yang Dong Jun	25,045,000	8 July 2014	8 July 2016
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
	李靜	10,000,000	20 December 2012	20 December 2015
	李建成	13,235,956	20 December 2012	20 December 2015
ETCN	Hong Kit Yin Stella	2,000,000	20 December 2012	20 December 2015

As at the Latest Practicable Date, 199,166,633 options remained outstanding and unexercised, and the Company had no warrants or convertible securities other than the aforementioned Convertible Notes.

LETTER FROM THE BOARD

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); (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 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	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company
Connected Persons						
Li Xiangjun (Note 1)	313,590	0.014	313,590	0.011	313,590	0.010
Yang Dong Jun (Note 2) (also a holder of CN2016A)	207,554,896	9.03	207,554,896	7.53	382,694,756	12.30
Public Shareholders						
holder of ETCN	0	0.00	0	0.00	4,000,000	0.13
holders of EICN	200,000	0.0087	200,000	0.0073	116,671,912	3.75
Other public shareholders	2,089,531,549	90.94	2,089,531,549	75.79	2,089,531,549	67.15
Subtotal	<u>2,297,600,035</u>	<u>100.00</u>	<u>2,297,600,035</u>	<u>83.33</u>	<u>2,593,211,807</u>	<u>83.33</u>
Shares to be issued under the New General Mandate	<u>0</u>	<u>0.00</u>	<u>459,520,007</u>	<u>16.67</u>	<u>518,642,361</u>	<u>16.67</u>
Total	<u><u>2,297,600,035</u></u>	<u><u>100.00</u></u>	<u><u>2,757,120,042</u></u>	<u><u>100.00</u></u>	<u><u>3,111,854,168</u></u>	<u><u>100.00</u></u>

Notes:

- Li Xiangjun is a non-executive Director.
- Yang Dong Jun is the father of Yang Jilin (an executive director).

LETTER FROM THE BOARD

MAXIMUM DILUTION EFFECT ON SHAREHOLDING OF EXISTING PUBLIC SHAREHOLDERS

As illustrate in the table above, the 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 ETCN and EICN) would decrease from approximately 90.94% as at the Latest Practicable Date (i) to approximately 75.79% upon full utilisation of the New General Mandate, which represents a 15.15% 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 67.15% upon full utilization of the New General Mandate, which represents a 23.79% 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).

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 (the non-executive Director) is personally interested in 313,590 Shares, representing 0.014% of the issued share capital of the Company. Mr. Yang Dong Jun, who is personally interested in 207,554,896 Shares, representing 9.03% of the issued share capital of the Company, is the father of Mr. Yang Jilin (the executive Director) and therefore is the associate of Mr. Yang Jilin under the GEM Listing Rules.

Accordingly, Mr. Li Xiangjun and Mr. Yang Dong Jun are required to abstain from voting in favour of the resolution regarding the refreshment of the Existing General Mandate. The Board has been advised that Mr. Li Xiangjun and Mr. Yang Dong Jun and their respective associates (if any) have no intention to vote against the resolution to approve the refreshment of the Existing General Mandate.

Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution at the EGM.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Li Qunsheng, Dr. Huang Chung Hsing and Ms. Li Ya Ru Nancy, all being the independent non-executive Directors, has been established to advise the Independent Shareholders on the refreshment of the Existing General Mandate. Fortune Financial Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate.

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the refreshment of the Existing General Mandate are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the refreshment of the Existing General Mandate.

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 Plaze, No.1 Harbour Road, Wanchai, Hong Kong, at 11:00 a.m. on Friday, 10 October 2014 is set out on pages 27 to 29 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.

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.

LETTER FROM THE BOARD

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 17 to 26 of this circular and the text of the letter from Independent Board Committee to the Independent Shareholders is set out on page 16 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 16 of this circular. Your attention is also drawn to the letter of advice from 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 Independent Financial Adviser is set out on pages 27 to 29 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)

23 September 2014

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 23 September 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 and issue 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 17 to 26 of the Circular and the letter from the Board as set out on page 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 and is fair and reasonable.

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

Independent Non-executive Directors

Mr. Li Qunsheng

Dr. Huang Chung Hsing

Ms. Li Ya Ru Nancy

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

23 September 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 23 September 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 0.014% of the total issued share capital of the Company. Mr. Yang Dong Jun, who is personally interested in 207,554,896 Shares, representing 9.03% of the issued share capital of the Company, is the father of Mr. Yang Jilin (the executive Director) and therefore is the associate of Mr. Yang Jilin under the GEM Listing Rules.

Accordingly, Mr. Li Xiangjun and Mr. Yang Dong Jun are required to abstain from voting in favour of the resolution regarding the refreshment of the Existing General Mandate. The Board has been advised that Mr. Li Xiangjun and Mr. Yang Dong Jun and their respective associates (if any) have no intention to vote against the resolution to approve the refreshment of the Existing General Mandate.

Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution at the EGM.

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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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.

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 Company is principally engaged in the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs.

At the 2014 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 331,889,342 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 285,139,860 Shares, representing approximately 85.91% 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 285,139,860 Shares upon exercise of the conversion rights attaching to the CN2016A issued by the Company in full, details of which are set out in the announcements of the Company dated 27 June 2014 and 8 July 2014.

As advised by the Company, as the Latest Practicable Date, the conversion rights attaching to the CN2016A has been partly exercised and therefore, 110,000,000 Shares out of 285,139,860 Shares, which is the maximum number of Shares to be issued under CN2016A, have been issued. As at the Latest Practicable Date, an aggregate principal amount of HK\$25,045,000 of convertible notes conferring rights to convert a total of 175,139,860 Shares under CN2016A were still outstanding.

As advised by the Company, the next annual general meeting of the Company is expected not to be held until May 2015 (the “**Forthcoming AGM**”). Given that approximate 85.91% 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 46,749,482 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 2,297,600,035

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 459,520,007 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

The Directors constantly 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. The Directors consider that funding requirement or appropriate investment opportunities may or may not arise at any time prior to the Forthcoming AGM. If such opportunities arise prior to the Forthcoming AGM, decisions may have to be made within a limited period of time. 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 mentioned in the above, the Existing General Mandate has been utilised to a large extent, the remaining Existing General Mandate may not serve a meaningful purpose in terms of financing any possible acquisition transaction through equity fund raising exercise and/or issue new Shares. If the general mandate is not being refreshed prior to the Forthcoming AGM, which is expected not to be held until May 2015, the Company may only conduct equity fund raising exercise by seeking specific mandate from the Shareholders in each and every single occasion. In view of the time and cost involved for convening shareholders' meeting, the inability of the Company to issue new Shares under general mandate will impair the flexibility of the Company to structure any potential transaction.

The Group is principally engaged in e-learning business in relation to facilitation of education program in Chinese medicine and other advisory and training programs. As advised by the Directors, the Group's major incomes are predominantly based on the operations and activities of Hunan IIN Medical Network Technology Development Company Limited, an indirect wholly-owned subsidiary of the Company. Hunan IIN Medical Network Technology Development Company Limited is principally engaged in e-learning business in relation to Chinese medicine in collaboration with the Beijing University of Chinese Medicine in PRC. As advised by the Directors, for the six months ended 30 June 2014, an unaudited turnover of approximately HK\$28.2 million, an unaudited gross profit of approximately HK\$17.1 million and an unaudited net profit of approximately HK\$17 million were derived from the provision of this e-learning business which is the main business and major operational funding sources of the Group.

As advised by the Directors, the Group recorded cash and cash equivalents of approximately HK\$29 million as at 31 August 2014. As at 31 August 2014, the Group did not have any outstanding bank borrowings and the total current liabilities of the Group were approximately HK\$31.58 million which mainly comprised trade and other payables of approximately HK\$30

LETTER FROM INDEPENDENT FINANCIAL ADVISER

million, other borrowings of HK\$1.24 million, convertible notes and the related financial derivatives of approximately HK\$0.34 million. The total non-current liabilities of the Group as at 31 August 2014 were approximately HK\$86.86 million, which comprises mainly the convertible notes of ETCN, EICN and CN2016A. The total outstanding principal amount of convertible notes ETCN and EICN is approximately HK\$60 million which will fall due in December 2015. The outstanding principal amount of convertible notes CN2016A is approximately HK\$25 million which will fall due in July 2016. The other current liabilities of the Group are payable within one year. However, in view of maintaining the flexibility and capacity in equity fund-raising exercise, 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.

As disclosed in the Company's interim report for the six months ended 30 June 2014 ("**Interim Report 2014**"), the Company will continue to look for other attractive investments in the PRC and locally in an attempt to diversity into different business areas to reduce the reliance upon existing e-learning business and strengthen the positive cash flow and earnings for the Group in the long run. Accordingly, should suitable business opportunity is identified which, in the view of the Directors, is beneficial to the Company, there is no certainty that the existing cash and financing resources will be adequate to capture such opportunity. If the Company does not have sufficient cash or financing resources on hand which the Directors consider favourable to the Group, the Company may lose its opportunity in an otherwise favourable development/investment.

As advised by the Directors, as at the Latest Practicable Date, the Company has no immediate funding need and has sufficient working capital to maintain its current business operation. The Board would like to provide flexibility for the Company to raise funds for its future business development and/or any opportunities to be identified by the Company through equity financing. Should the Company encounter some investment opportunities, the Group's existing internal resources may not be able to provide timely financing for such potential investment opportunities. The Refreshment of General Mandate maintains the financial flexibility for the Group's future business expansion and development as well as to cater for the funding needs of the Group in case the Company has encountered some good investment opportunities.

Based on the above, we consider that (i) the Existing General Mandate is almost fully utilised; (ii) the New General Mandate would empower the Company with the flexibility to issue and allot new Shares within the refreshed limit speedily as and when necessary; and (iii) the possible financial need in Company's business operation including seizure of favourable investment opportunity from time to time, 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 convertible notes 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 convertible notes 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
9 May 2014, 20 May 2014, 30 May 2014 and 6 June 2014	Issue of CN2016 with an aggregate principal amount of HK\$42,399,932, which may be converted into 326,153,321 Shares at the conversion price of HK\$0.13 per Share (subject to adjustment)	Approximately HK\$42,399,932	For set-off of the existing debt of the Company and set-off of the moneys payable by the Company for redeeming the convertible notes	For set-off of the existing debt of the Company and set-off of the moneys payable by the Company for redeeming the convertible notes
27 June 2014 and 8 July 2014	Issue of CN2016A with an aggregate principal amount of HK\$40,775,000, which may be converted into 285,139,860 Shares at the conversion price of HK\$0.143 per Share (subject to adjustment)	Approximately HK\$40,775,000	For set-off of the existing debt of the Company	For set-off of the existing debt of the Company

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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.

As disclosed in the Company's latest annual report for the year ended 31 December 2013 ("Annual Report 2013") and the Interim Report 2014, the Company had net liabilities of approximately HK\$93.85 million and HK\$31.53 million as at 31 December 2013 and 30 June 2014, respectively. As set out in the Interim Report 2014, the loss attributable to owners of the Company was approximately HK\$4.88 million for the six months ended 30 June 2014. 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. We are of the view that equity financing through the New General Mandate is a reasonable way to satisfy any future financial needs in a promptly manner.

As advised by the Directors, they consider that equity financing by means of utilising general mandate 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	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company
Connected Persons						
Li Xiangjun (Note 1)	313,590	0.014	313,590	0.011	313,590	0.010
Yang Dong Jun (Note 2) (also a holder of CN2016A)	207,554,896	9.03	207,554,896	7.53	382,694,756	12.30
Public Shareholders						
holder of ETCN	0	0.00	0	0.00	4,000,000	0.13
holders of EICN	200,000	0.0087	200,000	0.0073	116,671,912	3.75
Other public shareholders	2,089,531,549	90.94	2,089,531,549	75.79	2,089,531,549	67.15
Subtotal	<u>2,297,600,035</u>	<u>100.00</u>	<u>2,297,600,035</u>	<u>83.33</u>	<u>2,593,211,807</u>	<u>83.33</u>
Shares to be issued under the New General Mandate	0	0.00	459,520,007	16.67	518,642,361	16.67
Total	<u>2,297,600,035</u>	<u>100.00</u>	<u>2,757,120,042</u>	<u>100.00</u>	<u>3,111,854,168</u>	<u>100.00</u>

Notes:

- Li Xiangjun is a non-executive Director.
- Yang Dong Jun is the father of Yang Jilin (an executive Director).

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 90.94% as at the Latest Practicable Date (i) to approximately 75.79% upon full utilisation of the New General Mandate (assuming no other changes in the issued share capital of the Company); and (ii) to approximately 67.15% 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, 10 October 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 authorization 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, 23 September 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

NOTICE OF THE 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. Yuan Wei and Mr. Yang Jilin; 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.