

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

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.*



## **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)

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 51% EQUITY INTEREST IN TARGET COMPANY AND ISSUE OF CONVERTIBLE NOTES**

#### **PROPOSED ACQUISITION**

The Board is pleased to announce that on 11 October 2016 (after trading hours), the Purchaser and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendors have conditionally agreed to dispose of the Sale Equity at the Consideration of HK\$95,319,000 (subject to adjustments) to be settled by the Company's issue of the Convertible Notes upon Completion.

#### **ISSUE OF CONVERTIBLE NOTES**

Upon completion of the Acquisition, the Company will issue the Convertible Notes to the Vendors or their nominated companies with an aggregate principal amount of HK\$95,319,000, which may be converted into 400,500,000 Conversion Shares at the Conversion Price of HK\$0.238 per Conversion Share (subject to adjustment).

Upon full conversion of the Convertible Notes at the Conversion Price, the Convertible Notes will be convertible into a maximum of 400,500,000 Conversion Shares, representing approximately 13.19% of the existing issued share capital of the Company and approximately 11.65% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes.

The Conversion Shares will be issued under the General Mandate.

### **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios calculated in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempt from Shareholders' approval under Chapter 19 of the GEM Listing Rules.

The Board is pleased to announce that on 11 October 2016, the Purchaser and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendors have conditionally agreed to dispose of the Sale Equity at the Consideration of HK\$95,319,000 (subject to adjustment) to be settled by the Company's issue of the Convertible Notes upon Completion.

### **THE AGREEMENT**

Set out below are the principal terms of the Agreement:

#### **Date**

11 October 2016

#### **Parties involved**

- (1) Vendors: Mr. Wang Peng and Mr. Ma Liejun
- (2) Purchaser: Beijing Hua Tuo Education Technology Company Limited  
(北京華拓教育科技有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons.

The Purchaser is a wholly-owned subsidiary of the Company and is principally engaged in the provision of occupational education, industry certification course, skills training and education consultation.

## **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire for and the Vendors have conditionally agreed to dispose of the Sale Equity, representing 51% of the equity interest of the Target Company. Further information on the Target Company is set out under the section headed “Information of the Target Company” in this announcement.

## **Consideration**

Pursuant to the Agreement, the Consideration payable to the Vendors for the Sale Equity shall be HK\$95,319,000 (subject to adjustments).

All the Consideration payable to the Vendors will be satisfied by the Company’s issue of the Convertible Notes to the Vendors or their nominated companies in an aggregate principal amount equivalent to the Consideration. Within 7 business days after the Completion, the Company will issue the Convertible Notes in the principal sum of HK\$95,319,000 to the Vendors or their nominated companies.

Immediately upon the Convertible Notes are issued, the Vendors (or their nominated companies) shall charge 60% of such Convertible Notes in favour of the Company. After the 2017 Profit Target is met, 40% of the Convertible Notes will be released to the Vendors (or their nominated companies). After the 2018 Profit Target is met, the remaining 20% of the Convertible Notes will be released to the Vendors (or their nominated companies).

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors after taking into account of the existing profitability and the business development prospects of the Target Company.

## **Reduction in Consideration**

The Purchaser will engage an independent professional valuer to assess the value of the Sale Equity, and if such value as assessed by the valuer is less than HK\$95,319,000, the Consideration will be reduced and be equal to the value so assessed.

If the Target Company fails to meet the 2017 Profit Target, the Consideration will be reduced in accordance with the following formula:

Amount to be deducted from the Consideration = (2017 Profit Target – 2017 Actual Profit) x 15 x 51% x 40%

In respect of the aforesaid reduction in Consideration, the maximum amount to be reduced shall not exceed 40% of the Consideration in any event.

If the Target Company fails to meet the 2018 Profit Target, the Consideration will be reduced in accordance with the following formula:

Amount to be deducted from the Consideration = (2018 Profit Target – 2018 Actual Profit) x 15 x 51% x 20%

In respect of the aforesaid reduction in Consideration, the maximum amount to be reduced shall not exceed 20% of the Consideration in any event.

### **Conditions**

Completion is conditional upon each of the following Conditions being satisfied or waived by the Purchaser:

- (i) the representations and warranties given by the Vendor under the Agreement remaining true, complete, effective and accurate up to the Completion Date;
- (ii) the Vendors having fulfilled their commitments and obligations under the Agreement in all aspects up to the Completion Date;
- (iii) there has not been any event or circumstance occurred which has caused or will reasonably be expected to cause material adverse change in the Target Company prior to the Completion Date;
- (iv) if the signing or performance of the Agreement is required to obtain the consent from any third parties (if any) under any relevant laws and regulations, all the written documents of such consents from third parties have been obtained;
- (v) the Purchaser has completed, and is satisfied with the results of, the financial and legal due diligence conducted on the Target Company;
- (vi) an independent professional valuer appointed by the Purchaser has conducted a valuation on the Target Company; and
- (vii) the Purchaser has obtained all the necessary approvals and resolutions for completion of the Acquisition, including the approval from the relevant regulatory authorities and the passing of the resolution by the shareholders at general meeting.

If any of the above Conditions have not been fulfilled, the Purchaser is entitled to terminate the Agreement forthwith.

## Completion

Completion shall take place within five (5) Business Days after all the Conditions have been fulfilled (or otherwise waived by the Purchaser) or such other date as the parties may otherwise agree.

Upon Completion, the Target Company will become a subsidiary of the Company.

## CONVERTIBLE NOTES

The principal terms of the Convertible Notes are summarized below:

Issuer:	The Company
Aggregate principal Amount:	HK\$95,319,000 (equivalent to the Consideration, assuming no adjustment is made)
Conversion Price:	The Conversion Price is HK\$0.238 per Share, which is subject to adjustments for, among other matters, consolidation, reduction or sub-division of Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for Shares.

The Conversion Price represents:

- (i) a discount of about 19.32% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of about 7.1% to the average closing price of HK\$0.2562 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Date.

As the Memorandum of Cooperation in respect of the Acquisition was signed on 4 September 2016 between, inter alia, the Purchaser and the Vendors, and the conversion price of the Convertible Notes was agreed to range from HK\$0.236 to HK\$0.238 per Share and such term was legally-binding on the parties to the Memorandum of Cooperation, the Board considers that 2 September 2016 (being the last trading day of the Shares before the Memorandum of Cooperation was signed) shall be taken as the Last Trading Date for determining the benchmarked price of the Shares against which discount represented by the Conversion Price of HK\$0.238 is determined.

The Conversion Price has been determined after arm's length negotiations between the Company and the Vendor with reference to the then prevailing market price of the Shares.

Transferability of Convertible  
Notes

Subject to compliance with any restrictions or requirements under the GEM Listing Rules and the procedural requirements stipulated under the terms and conditions of the Convertible Notes, the Convertible Notes or any part(s) thereof may be assigned or transferred at the discretion of the Noteholder(s).

Conversion rights

The Noteholder may convert the whole or part of the principal amount of the Convertible Notes into the Conversion Shares at the Conversion Price on any Business Days during the Conversion Period.

The Noteholders shall have the right to convert the Convertible Notes, in whole or in part, at the Conversion Price set out above, provided that the Noteholders shall only exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

The Noteholders shall exercise the right of conversion only to the extent that any conversion of the Convertible Notes does not trigger off a mandatory offer obligation under rule 26.1 of the Takeovers Code on the part of the Noteholders.

Conversion Shares

Based on the Consideration of HK\$95,319,000, 400,500,000 Conversion Shares will be issuable by the Company upon exercise of the conversion rights attached to the Convertible Notes in full at the Conversion Price of HK\$0.238 per Share.

The 400,500,000 Conversion Shares represent approximately 13.19% of the existing issued share capital of the Company as at the date of this announcement.

Assuming that there is no change to the shareholding structure of the Company from the date of this announcement, the 400,500,000 Conversion Shares represent approximately 11.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Status of the Convertible Notes	The Convertible Notes constitute a direct, general, unconditional and unsecured obligation of the Company and rank <i>pari passu</i> and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.
Ranking of the Conversion Shares	The Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with all existing Shares in issue at the date of such allotment and issue.
Voting	The Convertible Notes do not confer any voting rights at any meetings of the Company.
Listing	No application will be made by the Company for the listing of the Convertible Notes. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Other major terms in relation to the adjustment to the Conversion Price	Where, following any corporate actions of the Company, including but not limited to consolidation, reduction, subdivision of Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the Shares, results in an adjustment to the Conversion Price in accordance with the terms of the Convertible Notes, and as a result, the number of the Conversion Shares to be issued would exceed the maximum limit on the allotment and issue of Shares under the General Mandate, the Company shall be entitled to give notice thereof to the Noteholders to satisfy any exercise of the Conversion Rights in excess of the maximum limit on the allotment and issue of the Shares under the General Mandate to which the Noteholders would have been entitled (the “ <b>Excess Conversion Rights</b> ”) upon exercise of the Conversion Rights in cash (the “ <b>Cash Payment</b> ”) by reference to the closing price of the Shares on the trading day immediately preceding the date of the relevant conversion notice, and the Noteholders shall accept the Cash Payment as full settlement of the Excess Conversion Rights.

## MANDATE TO ISSUE THE CONVERTIBLE NOTES

The issue of the Convertible Notes will be made under the General Mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 30 June 2016 to allot and issue up to 591,020,639 Shares, being 20% of the total nominal amount of the issued share capital of the Company as at the date of the passing of the resolution approving such grant. As at the date of this announcement, no Shares or securities have been allotted and issued by the Directors under the General Mandate. Upon exercise of the conversion rights attaching to the Convertible Notes in full, assuming the Conversion Price is not adjusted as a result of any dilutive event and there is no redemption of the Convertible Notes pursuant to the terms and conditions of the Convertible Notes, the Company may allot and issue up to the remaining 190,520,639 Shares under the General Mandate.

## CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of 400,500,000 Conversion Shares upon the exercise of conversion rights attaching to the Convertible Notes in the principal sum of HK\$95,319,000 in full (assuming that there is no change to the shareholding structure of the Company after the date of this announcement).

	As at the date of this announcement		Immediately after the allotment and issue of the 400,500,000 Conversion Shares upon exercise of the conversion rights attaching to the Convertible Notes in the principal sum of HK\$95,319,000 in full (Note 1)	
	Number of Shares	% (Approximately)	Number of Shares	% (Approximately)
Public Shareholders	2,645,103,196	87.12	2,645,103,196	76.97
Atlantis Capital Holdings Limited	391,000,000	12.88	391,000,000	11.38
Vendors	–	–	400,500,000	11.65
<b>Total:</b>	<b>3,036,103,196</b>	<b>100</b>	<b>3,436,603,196</b>	<b>100</b>

*Note:*

1. Assuming (i) the Conversion Price is not adjusted as a result of any dilutive event and (ii) there is no redemption of the Convertible Notes pursuant to the terms and conditions of the Convertible Notes.



## INFORMATION ON THE COMPANY

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.

## INFORMATION OF THE TARGET COMPANY

### The Target Company

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in e-commerce business. Immediately after Completion of the Acquisition, the equity interest of the Target Company will be owned as to 51% by the Purchaser, 30% by Mr. Wang Peng and 19% by Mr. Ma Lieyun.

### Financial Information of the Target Company

The following table sets out a summary of the unaudited financial results of the Target Company:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>
<b>Total assets</b>	14,419,159.91	13,103,122.90
<b>Net assets</b>	5,247,975.57	5,256,925.39
<b>Net Profit (before taxation)</b>	22,270.89	12,687.50
<b>Net Profit (after taxation)</b>	16,703.17	9,704.22

## REASONS FOR THE ACQUISITION

The reason for the Acquisition is for the Company to develop the internet platform sale market. The Group has decided to acquire the Target Company with a view to maximizing return to the Company and its Shareholders in the long run. The Company believes that the Acquisition will strengthen the positive cash flow and earnings for the Group in the long run.

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

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As the applicable percentage ratios calculated in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempt from Shareholders' approval under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2017 Actual Profit”	the net profit after tax of the Target Company for the period from 1 April 2017 to 31 March 2018 as determined by the auditors approved by the Purchaser and the Vendors
“2017 Profit Target”	the net profit after tax of the Target Company for the period from 1 April 2017 to 31 March 2018 in the amount of HK\$12,600,000
“2018 Actual Profit”	the net profit after tax of the Target Company for the period from 1 April 2018 to 31 March 2019 as determined by the auditors approved by the Purchaser and the Vendors
“2018 Profit Target”	the net profit after tax of the Target Company for the period from 1 April 2018 to 31 March 2019 in the amount of HK\$15,120,000;
“Acquisition”	the Purchaser's acquisition of the Sale Equity pursuant to the Agreement
“Agreement”	the agreement dated 11 October 2016 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day which excludes Saturdays, Sundays and public holidays in the PRC
“Company”	China E-Learning Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock Code: 8055)

“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“Conditions”	the conditions precedent to the Completion
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	HK\$95,319,000 (subject to adjustments), being the total consideration for the Acquisition
“Conversion Period”	the period from Issue Date to Maturity Date (both days inclusive)
“Conversion Price”	HK\$0.238, being the price for conversion of the Convertible Notes, which is subject to adjustment pursuant to the terms and conditions of the Convertible Notes
“Conversion Shares”	the Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes
“Convertible Note(s)”	convertible notes to be issued by the Company in an aggregate principal amount equivalent to the Consideration (subject to adjustments)
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on GEM
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 30 June 2016 to allot or otherwise deal with the Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Issue Date”	the date of issue of the Convertible Notes
“Last Trading Date”	2 September 2016, being the last trading date for the Shares before the Memorandum of Cooperation was signed on 4 September 2016
“Memorandum of Cooperation”	the memorandum of cooperation dated 4 September 2016 signed between, inter alia, the Purchaser and the Vendors in relation to the Acquisition, details of which were disclosed in the Company’s announcement dated 4 September 2016
“Noteholder(s)”	holder(s) of the Convertible Notes
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Beijing Hua Tuo Education Technology Company Limited (北京華拓教育科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“RMB”	renminbi, the lawful currency of the PRC
“Sale Equity”	51% of the equity interest of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.10 in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Target Company”	Beijing Youli Lianxu Technology Company Limited* (北京優力聯旭科技有限公司), a company incorporated in the PRC with limited liability
“Vendors”	Mr. Wang Peng and Mr. Ma Liejun
“%”	per cent

\* For identification purpose only

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

Hong Kong, 11 October 2016

*As at the date of this announcement, the Board comprises two executive directors, namely Mr. Yuan Wei and Ms. Zhang Jianxin; and three independent non-executive directors, namely Dr. Huang Chung Hsing, Mr. Li Qunsheng and Ms. Li Ya Ru Nancy.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page and the website of the Company at [www.irasia.com/listco/hk/chinaelearning/](http://www.irasia.com/listco/hk/chinaelearning/) for at least 7 days from the date of its publication.*