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CHINA E-LEARNING GROUP LIMITED

中國網絡教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08055)

FURTHER INFORMATION OF DISCLOSEABLE TRANSACTION ACQUISITION OF 49% EQUITY INTEREST IN TARGET COMPANY AND ISSUE OF CONVERTIBLE NOTES

References are made to the Company's announcements dated 11 October 2016 and 24 October 2016 (the "**Announcements**") related to the acquisition by Beijing Hua Tuo Education Technology Company Limited (北京華拓教育科技有限公司) (the "**Purchaser**") of the 49% equity interest (the "**Sale Equity**") of Beijing Youli Lianxu Technology Company Limited* (北京優力聯旭科技有限公司) (the "**Target Company**"). Terms defined in the Announcements shall have the same meanings when used herein, unless the context requires otherwise.

PROFIT FORECAST

As set out in the Announcements, the Purchaser will engage an independent professional valuer to assess the value of the Sale Equity, and if such value as assessed by the valuer is less than HK\$91,581,000.00, the Consideration will be reduced and be equal to the value so assessed.

According to the valuation (the "**Valuation**") conducted by Access Partner Consultancy & Appraisals Limited, an independent professional valuer engaged by the Company ("**Access Partner**") dated 16 March 2017, the 49% equity interest of the Target Company as at 31 January 2017 ("**Date of Valuation**") was HK\$98,000,000.00. The Valuation was prepared by Access Partner using discounted cash flow method under the income approach. Therefore, the Valuation is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules. This announcement is made in compliance with Rules 19.60A and 19.62 of the GEM Listing Rules.

Access Partner was provided with information on the Target Company's products, business operation, financial data, current and future promotion schemes, exclusive distribution arrangements with its suppliers for the calculation of revenue projections.

Pursuant to Rule 19.62(1) of the GEM Listing Rules, the following are the details of the principal assumptions, including commercial assumptions, upon which the report for the Valuation was based:

General market assumptions

- (i) There will be no major changes in the political, legal, fiscal, technological, economic and market conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;
- (ii) There will be no major changes in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- (iii) There will be no material changes in the relevant market return, market risk, interest rates and exchange rates that would impact the Target Company's business operation;
- (iv) The supply and demand, both domestically and internationally, of the products/services of the Target Company or similar products/services will not differ materially from those of present or expected;
- (v) The market prices, products/services to be sold and the relevant costs, both domestically and internationally, of the products/services of the Target Company or similar products/services will not differ materially from those of present or expected;
- (vi) The services of the Target Company or similar services are marketable and liquid, that there are active markets for products/services of the Target Company or similar products/services; and
- (vii) The market data, industrial information and statistical figures obtained from Bloomberg Terminal and other publicly available sources are true and accurate.

Target Company-specific assumptions

- (i) The Target Company has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry;
- (ii) The Target Company will continue to operate as a going concern and the core operation of the Target Company will not differ materially from those of present or expected;
- (iii) The information provided with regard to the Target Company's financial and business affairs are accurate and reliable;
- (iv) The financial projection in respect of the Target Company has been prepared on a reasonable basis after due and careful consideration by the management of the Company, the management of the Target Company and/or their representative(s) and will be materialized as schedule;
- (v) The Target Company currently has, or will have, adequate human capital and capacity required for the provision of the services of the Target Company, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Company;
- (vi) The Target Company has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- (vii) The senior management of the Target Company will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Company;
- (viii) The senior management of the Target Company has sufficient knowledge and experience in respect of the operation of the Target Company, and the turnover of any director, management or key person will not affect the operation of the Target Company;
- (ix) The senior management of the Target Company has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Company;
- (x) The occurrence of any natural disaster such as fire, flood and hurricane will not affect the operation of the Target Company;

- (xi) There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Company as of the Date of Valuation;
- (xii) The existing marketing plan and purchase contracts will be materialized as schedule and it will not arise any legal or financial issue that will affect the operation of the Target Company;
- (xiii) The policy on tax rate applicable to the Target Company will not materially change, and
- (xiv) Apart from the figures shown in the financial statements available to us, the Target Company has no material asset and liability as of the Date of Valuation.

EXPECTED INCREASE IN THE PROFIT OF THE TARGET COMPANY

Access Partner had conducted a revenue forecast for the Target Company for years 2017 through to 2022. The Company expects that there would be a bigger increase in the profit of the Target Company between 2017 and 2018, than in 2018 and beyond.

All of the Target Company's revenue in the forecast period are expected to derive from the sales of both local and overseas manufactured watches, barcode scanners, skincare products, household products and the agency fee received by selling sportswear and outdoor gear, agricultural products on the e-commerce platform.

The Target Company is responsible for deriving the marketing and sales plans of a local watch brand on different e-commerce platforms. The Target Company has a track record accounting for 80% sales of watches from the said local brand online. The Target Company believes that the strong performance of selling watches from that said local brand will continue in 2017 after launching its new quartz watch series in the market.

The Target Company is the official exclusive distributor of barcode scanners for a world renowned manufacturer on e-commerce platforms in the PRC. Due to the rapid expansion and recognition of terminal payment in the PRC (E.g. the use of WeChat for payment), the Target Company believes that there would be a strong growth of Terminal scanning devices in the PRC in 2017 and beyond.

The Target Company has secured exclusive online distributorship of outdoor apparel from a reputable sportswear producer in the PRC. There was significant growth of sales figure for the sportswear sold online in 2016. The Target Company believes that the growth of sales would continue in 2017 and beyond.

The Target Company has also secured online distributorship on a large range of cosmetics and skincare products, and household healthcare products. There are currently more than 200 types of cosmetics and skincare products, and household healthcare products; some in the gift or premium categories available online for sale in the PRC by the Target Company. The products come from different suppliers with extensive sourcing and development experience in the PRC market for many years. Further, these suppliers have successful track records in product design, promotion and sales; therefore, the Target Company is confident that the products supplied by the suppliers would continue to be popular amongst customers in the PRC. In addition, the Target Company is developing its own series of products with its own brand names with the assistance of its suppliers; the Target Company is confident that its own series of products would see popular demand in the market in future years. The Company will increase the number of new product lines and product items to maximise its customer base in year 2017 and 2018.

CONFIRMATIONS

The reporting accountant of the Company, McMillan Woods SG CPA Limited has examined and reported on the calculations of the discounted future estimated cash flows on which the Valuation is based. The Valuation does not involve the adoption of accounting policies. The Directors confirm that the Valuation, which constitute a profit forecast under Rule 19.61 of the GEM Listing Rules, has been made after due and careful enquiry. A report from McMillan Woods SG CPA Limited and a letter from the Board have been submitted to the Stock Exchange, and are included in Appendix I and II to this announcement pursuant to Rules 19.60A and 19.62 of the GEM Listing Rules.

EXPERTS AND CONSENTS

The following are the qualifications of each expert who has provided its opinion or advice, which is contained in this announcement:

Name	Qualification
McMillan Woods SG CPA Limited	Certified Public Accountants
Access Partner Consultancy & Appraisals Limited	Independent professional valuer

As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of McMillan Woods SG CPA Limited and Access Partner does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

Each of McMillan Woods SG CPA Limited and Access Partner has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter or opinion and all references to its name in the form and context in which it respectively appears in this announcement.

FURTHER INFORMATION OF THE ACQUISITION

The Board shall make further announcements regarding the Consideration of the Acquisition as and when appropriate.

* *For identification purpose only*

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

Hong Kong, 28 March 2017

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

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

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

APPENDIX I – LETTER FROM THE COMPANY’S REPORTING ACCOUNTANT

McMillan Woods SG CPA Limited, Certified Public Accountants, Hong Kong
長青暉勝會計師事務所有限公司, 香港執業會計師

28 March 2017

The Board of Directors
China E-Learning Group Limited (the “Company”)

Unit 2610, 26/F,
Office Tower, Convention Plaza,
1 Harbour Road,
Wanchai, Hong Kong.

Dear Sirs,

China E-Learning Group Limited (the “Company”)

The Discounted Future Estimated Cash Flows in Connection with the Business Valuation of the 49% Equity Interest of 北京優力聯旭科技有限公司 (the” Target Company”)

In accordance with our agreed terms of engagement, we have examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows (the “Underlying Forecast”) on which the business valuation (the “Valuation”) dated 16 March 2017 prepared by Access Partner Consultancy&Appraisals Limited in respect of the appraisal of the fair value of a 49% equity interest in 北京優力聯旭科技有限公司 as at 31 January 2017 in connection with the proposed acquisition of 49% of the equity interest of the Target Company is based. The Valuation based on the Underlying Forecast is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

Directors’ Responsibilities

The directors of the Company (the “Directors”) are solely responsible for the preparation of the Underlying Forecast in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Underlying Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express a conclusion, based on our work, on the arithmetical accuracy of the calculations of the Underlying Forecast on which the Valuation is based, and to report our conclusion to you solely for the purpose of reporting under Rule 19.62(2) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work. Because the Underlying Forecast relates to cash flows, no accounting policies of the Company have been adopted in its presentation.

The bases and assumptions adopted by the Directors include hypothetical assumptions about future events and management actions that cannot be confirmed or verified in the same way as past results, and these bases and assumptions may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the bases and assumptions and do not express opinion whatsoever thereon; and our work does not constitute any valuation on 北京優力聯旭科 技有限公司.

We conducted our engagement in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations is concerned, the Directors have properly compiled the Underlying Forecast in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the Underlying Forecast in accordance with the bases and assumptions. Our work was substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion on the Underlying Forecast.

Opinion

In our opinion, the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Yours faithfully,

MCMILLAN WOODS SG CPA Limited.

Certified Public Accountants

Hong Kong

APPENDIX II – LETTER FROM THE BOARD

28 March 2017

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sirs,

Re: Discloseable Transaction – Acquisition of 49% of Equity Interest of Beijing Youli Lianxu Technology Co., Ltd. (北京優力聯旭科技有限公司) (the “Target Company”)

We refer to the announcement of the Company dated 28 March 2017 of which this letter forms part (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We, the board of directors (the “**Board**”) of China E-Learning Group Limited, note that McMillan Woods SG CPA Limited, Certified Public Accountants, the Company’s auditor has examined the arithmetical accuracy of the calculations of the discounted cash flow forecast, which do not involve the adoption of accounting policies, in the Valuation Report dated 16 March 2017 issued by Access Partner Consultancy & Appraisals Limited (the “**Valuer**”) regarding the valuation (the “**Valuation**”) of the 49% equity interest of Beijing Youli Lianxu Technology Co., Ltd. (北京優力聯旭科技有限公司). Pursuant to Rule 19.61 of the GEM Listing Rules, the Valuation constitute a profit forecast (the “**Underlying Forecast**”).

We have discussed with the Valuer about different aspects including the bases and assumptions in the Valuation based upon which the Underlying Forecast has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the letter dated 28 March 2017 issued by McMillan Woods SG CPA Limited, Certified Public Accountants and addressed to the Board of Directors that the Underlying Forecast, so far as the arithmetical accuracy of the calculations of the discounted cash flow forecast is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions approved by the Directors.

We hereby confirm that, the Underlying Forecast, pursuant to the Valuation Report, has been made after due and careful enquiry of the Board. The purpose of this letter is solely for the strict compliance with Rule 19.62 of the GEM Listing Rules. We, however, express no opinion in this letter on the actual results of the Underlying Forecast as the Underlying Forecast is based on hypothesis of future events.

Yours faithfully,
For and on behalf of the Board
Chian E-Learning Group Limited
Yuan Wei
Executive Director