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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)

MEMORANDUM OF COOPERATION

POSSIBLE TRANSFER AND POSSIBLE ACQUISITION

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

MEMORANDUM OF COOPERATION

The Company is pleased to announce that on 24 May 2016 (after trading hours), the Company entered into the Memorandum of Cooperation with Mr. Yuan, the holder of 80% equity interest of Target Company 1 and the holder of 100% equity interest of Target Company 2, in relation to the possible transfer of not less than 65% of the equity interest of the Target Company 1 to the Company and possible acquisition of 51% of the equity interest of the Target Company 2 by Target Company 1 and the Cooperation.

GEM LISTING RULES IMPLICATIONS

The Memorandum of Cooperation may or may not lead to the entering into of the Formal Agreement and the transactions contemplated thereunder may or may not be consummated. In the event that the Formal Agreement materialises, the transaction contemplated thereunder may or may not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors should note that the Memorandum of Cooperation is non-legally binding and only sets out the understanding and certain initial terms for the Possible Transfer of the equity interest in Target Company 1 to the Company and Possible Acquisition of the equity interest in Target Company 2 in the future. The Possible Transfer and Possible Acquisition is subject to, among other things, further negotiations and the entering into the Formal Agreement. As at the date of this announcement, no definitive agreement in relation to the Possible Transfer and Possible Acquisition has been entered into, the Possible Transfer and Possible Acquisition may or may not proceed.

Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

Further announcement will be made in respect thereof as and when required by the GEM Listing Rules.

This announcement is made pursuant to Rule 17.10 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**”) and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

MEMORANDUM OF COOPERATION

On 24 May 2016 (after trading hours), China E-Learning Group Limited (the “**Company**”) entered into a Memorandum of Cooperation (“**Memorandum of Cooperation**”) with Mr. Yuan Feng Shan (“**Mr. Yuan**”), the holder of 80% equity interest of Beijing Guo He Yi Bang Medical Investment Management Company Limited*(北京國和益邦醫療投資管理有限公司) (the “**Target Company 1**”) and the holder of 100% equity interest of Beijing Heshou Tang Chinese Medicine Clinic*(北京和壽堂中醫門診部) (the “**Target Company 2**”) in relation to the possible transfer of not less than 65% of the equity interest of Target Company 1 to the Company and possible acquisition of 51% of the equity interest of the Target Company 2 by Target Company 1 and the other cooperation projects (the “**Cooperation**”).

Target Company 1 is a limited company incorporated and registered in the People’s Republic of China (the “**PRC**”). It is principally engaged in the investment and management business in traditional Chinese and Western medicine services sector. As at the date of signing of the Memorandum of Cooperation, Mr. Yuan owns 80% of the equity interest in Target Company 1.

Target Company 2 is a medical institution incorporated and registered in the People's Republic of China (the "PRC") and is wholly-owned by Mr. Yuan. It is principally engaged in the provision of traditional Chinese medicine diagnosis, treatment to the patients and business corporation with other pharmacies and medical institutions in relation to the provision of traditional Chinese medicine diagnosis and treatment. As at the date of signing of the Memorandum of Cooperation, Mr. Yuan owns 100% of the equity interest in Target Company 2.

To the best of the knowledge, information and belief of the board of directors of the Company after having made all reasonable enquiries, Mr. Yuan is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

MAJOR TERMS OF THE MEMORANDUM OF COOPERATION

Subject to the respective necessary authorization of both Mr. Yuan and the Company (the "Parties") and the relevant government authorities and regulatory authorities and completion of the relevant procedures, and subject to further negotiations for reaching a formal agreement in respect of the Cooperation (the "Formal Agreement"), (1) Mr. Yuan shall transfer not less than 65% of the equity interest of Target Company 1 to the Company (the "Possible Transfer"); (2) Mr. Yuan agreed Target Company 1 acquires 51% of the equity interest of Target Company 2 (the "Possible Acquisition"), Possible Transfer and Possible Acquisition shall execute at the same time; (3) the Parties agree to adjust and expand the business operation of Target Company 1 and Target Company 2 and expand their cooperation to include jointly exploring and developing any investment opportunity in the Chinese medicine services sector, Chinese medicine healthcare industry and production of traditional Chinese Medicine.

Consideration

The consideration for the Possible Transfer and Possible Acquisition (the "Consideration") has not yet been determined and shall be subject to the Formal Agreement, and it shall be determined in accordance with the relevant laws and regulations in the PRC and Hong Kong and with reference to the value of Target Company 1 and Target Company 2 to be assessed by an independent professional valuer to be appointed by the Parties.

Payment of Consideration

Subject to the Formal Agreement, the Consideration shall be satisfied by the Company's issue of its shares (the "Shares") or convertible notes, and the price for issuing such Shares and the conversion price of such convertible notes shall not exceed HK\$0.20 to 0.22 per Share.

Profit Assurance

Mr. Yuan will provide certain assurance to the Company in respect of the profit to be generated by Target Company 1 and Target Company 2, the details of which are subject to further negotiations between the Parties.

Due Diligence

Within three months after the signing of the Memorandum of Cooperation (or any other later date as the Parties may agree), the Company shall have the right to conduct a comprehensive due diligence review as it may consider appropriate on Target Company 1 and Target Company 2 and shall be entitled to engage agents in providing such assistance in connection with such review.

The Parties shall further negotiate and discuss the details of the Cooperation and the arrangement and method of its implementation.

Preferential Right

Notwithstanding the signing of the Memorandum of Cooperation, the Company does not enjoy exclusive rights in the Cooperation and as such, Mr. Yuan shall continue to have the rights to negotiate, enter into any agreement or confirm any arrangements with any third party in relation to Target Company 1 and Target Company 2 in respect of the Cooperation.

Mr. Yuan, however, agrees that where a third party offers the same terms and conditions for the Cooperation as the Company may offer, the Company shall enjoy the preferential rights to the Cooperation with Mr. Yuan.

Termination

In the event that the Parties fail to take any practical actions in respect of the Cooperation within three months from the date of the Memorandum of Cooperation, the Memorandum of Cooperation shall be terminated and cease to be of any effect automatically. In addition, the Memorandum of Cooperation shall lapse and cease to have any legal effect after six months from the date of its signing in any event.

REASONS FOR THE POSSIBLE ACQUISITION

The Company together with its subsidiaries (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 Company has decided to enter into the Memorandum of Cooperation with Mr. Yuan with a view to maximizing return to the Company and its shareholders in the long run. The Company believes that the Possible Transfer and Possible Acquisition, when materialized, will strengthen the positive cash flow and earnings for the Group in the long run.

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

Hong Kong, 24 May 2016

** For identification purpose only*

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Yuan Wei and Mr. Yang Jilin; one non-executive director, Mr. Li Xiangjun; 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.chinae-learning.com for at least 7 days from the date of its publication.