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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)

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 45% EQUITY INTEREST IN BUSINESS HARBOUR INC. INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE**

#### **THE ACQUISITION**

The Board announces that on 30 August 2016 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at a maximum Consideration of HK\$50,000,000, which will be satisfied as to (i) HK\$40,000,000 will be settled by the issue and allotment of 190,476,190 Consideration Shares at the Issue Price of HK\$0.21 per Consideration Share; (ii) the remaining balance of the Consideration, i.e. HK\$10,000,000, will be settled by cash upon the fulfillment of Profit Guarantee, details of which are set out in the paragraph headed “Consideration” below.

As at the date of this announcement, the Target Company is owned as to 100% by the Vendor. The Target Company is principally engaged in the compilation and production of the content of online education courses and related business.

Upon Completion, the Company will indirectly hold 45% equity interest in the Target Company.

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

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition exceeds 5% but is 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 exempted from Shareholders' approval under Chapter 19 of the GEM Listing Rules

As the preliminary valuation of the Target Company has adopted income approach using discounted cash flow method, further announcement will be made by the Company in compliance with Rules 19.60A and 19.62 of the Listing Rules within 15 business days after the publication of this announcement.

**Shareholders and potential investors should note that Completion is subject to various conditions as stated in the section headed "Conditions precedent" in this announcement. Shareholders and potential investors are therefore urged to exercise caution when dealings in the Shares.**

The Board announces that on 30 August 2016 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares for the Consideration of HK\$50,000,000.

## **THE ACQUISITION**

### **The Sale and Purchase Agreement**

- Date : 30 August 2016 (after trading hours of the Stock Exchange)
- Parties : (1) Million Forever Limited, a wholly-owned subsidiary of the Company, as the Purchaser; and
- (2) Happy Leisure Corp., as the Vendor.

As at the date of this announcement, the Target Company is owned as to 100% by the Vendor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its respective ultimate beneficial owners are Independent Third Parties.

## **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares, representing the 45% of issued share capital of the Target Company, will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Sale and Purchase Agreement.

## **Consideration**

Pursuant to the Sale and Purchase Agreement, the maximum Consideration of HK\$50,000,000 for the Sale Shares will be satisfied by the Purchaser in the following manner:

- (i) HK\$40,000,000 will be settled by the issue and allotment of 190,476,190 Consideration Shares at the Issue Price of HK\$0.21 per Consideration Share by the Company to the Vendor (or its nominee(s)) free from all encumbrance upon Completion; and
- (ii) the remaining balance of the Consideration, i.e. HK\$10,000,000 (the “**Remaining Balance**”), will be settled by cash upon the fulfillment of Profit Guarantee 1.

The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor after taking into account, among other things, (i) the preliminary valuation of the Target Company performed by an independent professional valuer; (ii) the Profit Guarantee in respect of the Target Company (details of which are set out in the paragraph headed “Profit Guarantee” below); and (iii) the future prospects of the Target Company.

The preliminary valuation of the Target Company has adopted income approach using discounted cash flow method. Thus, further announcement will be made by the Company in compliance with Rules 19.60A and 19.62 of the Listing Rules within 15 business days after the publication of this announcement.

## **Profit Guarantee**

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably warrants and guarantees to the Purchaser that the audited net profit after tax attributable to the Target Company shall be not less than HK\$0 (the “**Profit Guarantee 1**”) for the twelve months period after Completion (the “**Guaranteed Period 1**”) which the Target Company will not record any loss at the end of the Guaranteed Period 1.

Vendor irrevocably warrants and guarantees to the Purchaser that the audited net profit after tax attributable to the Target Company shall be not less than HK\$600 Million (the “**Profit Guarantee 2**”) for the twenty-four months period after Completion (the “**Guaranteed Period 2**”).

The auditor's report must be prepared by a qualified accounting firm/Certified Public Accountants according to the requirement of the Stock Exchange.

If the Profit Guarantee 1 as set out above has been satisfied, the Company shall pay to the Vendor (or its nominee) the Remaining Balance amounted to HK\$10,000,000.

### **Adjustment to the Remaining Balance**

In the event that the audited net profit after tax of the Target Company is less than the Profit Guarantee 1 or 2 (the "**Difference**"), the remaining balance will be adjusted by a deduced amount (the "**Deduction**") as follow:

Deduction = the Difference  $\times$  5  $\times$  45%

If the audited net profit after tax is negative, then it will be counted as zero.

The Purchaser shall have right to deduct the Deduction from the remaining balance, and any shortfall shall be settled by the Vendor through transfer to the Purchaser of the shares in the Target Company owned by the Vendor in an amount equivalent to the appraised value.

### **Conditions Precedent**

Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

- (i) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true, complete, effective and accurate in all respects and not misleading so up to the time immediately prior to the Completion Date;
- (ii) the Vendor having fulfilled all commitments and obligations pursuant to the Sale and Purchase Agreement prior to the Completion Date;
- (iii) there has not been any material adverse change in relation to the Target Company prior to the Completion Date;
- (iv) if fulfillment of the Sale and Purchase Agreement is required to obtain the approvals from any Independent Third Parties in respect to relevant regulations and laws, all consents from Independent Third Parties should be obtained prior to the Completion Date;
- (v) the Purchaser has completed the due diligence on the Target Company and being satisfied, with the results of the due diligence, and
- (vi) an independent professional valuer having been appointed by the Purchaser to conduct a valuation on the business of Target Company.

The Vendor shall adopt every necessary action to procure the Target Company to take all necessary or appropriate actions to complete the Acquisition pursuant to the Sale and Purchase Agreement, and any of the conditions set out in the Sale and Purchase Agreement.

If the above conditions have not been satisfied (or waived by the Purchaser in respect of conditions (i) to (vi)) on or before Long Stop Date, the Long Stop Date shall be extended accordingly with the written approval by the Purchaser (the “**Extended Long Stop Date**”). If the above conditions have not been satisfied (or waived by the Purchaser in respect of conditions (i) to (vi)) on or before the Extended Long Stop Date, the Purchaser shall have right to cease and terminate the Sale and Purchase Agreement in writing with immediate effect, and demand the return of the Consideration paid and the accumulated interest based on the benchmark interest rate for loan.

If the above conditions have not been satisfied (or waived by the Purchaser in respect of conditions (i) to (vi)) on or before Long Stop Date, the Purchaser shall have right to cease and terminate the Sale and Purchase Agreement in writing with immediate effect, and demand return of the Consideration paid. In addition, the Vendor shall fulfill additional obligations in regarding to the termination pursuant to the Sale and Purchase Agreement.

## **Completion**

Completion shall take place on the 5th Business Day following the date on which the last condition set out above has been satisfied or waived by the written consent of the Purchaser or other date as the Purchaser and the Vendor agreed (the “**Completion Date**”).

Upon Completion, the Company will indirectly hold 45% equity interest in the Target Company.

## **CONSIDERATION SHARES**

The Consideration Shares comprise a total of 190,476,190 Shares which will be issued pursuant to the general mandate. The Consideration Shares, when issued, would represent approximately 6.45% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.06% of the issued share capital of the Company as enlarged by issue of the Consideration Shares.

The maximum number of Shares that can be issued under the general mandate is 589,020,639 Shares. As at the date of this announcement, the general mandate has not been utilized. Accordingly, the issue of the Consideration Shares is not subject to the Shareholders’ approval. The Issue Price of the Consideration Shares is HK\$0.21 per Consideration Share which represents:

- (i) a discount of approximately 16% to the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on Last Trading Day; and

- (ii) a discount of approximately 13.22% to the average closing prices of approximately HK\$0.242 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the Last Trading Day.

The Consideration Shares, when issued, will rank pari passu in all respects among themselves and with the Shares in issue on the day of issuance of the Consideration Shares.

## **APPLICATION FOR LISTING**

The Company will apply to the Stock Exchange for the listing of and permission to deal in the security.

## **INFORMATION ON THE VENDOR AND THE TARGET COMPANY**

The Vendor is an Independent Third Party and as at the date of this announcement, the Target Company is owned as to 100% by the Vendor.

The Target Company is a company incorporated in the British Virgin Islands on 30 March 2016 and registered office addressed 263 Main Street, Road Town, Tortola, British Virgin Islands with limited liability and is owned by the Vendor. The Target Company is principally engaged in the compilation and production of the content of online education courses and related business. The Target Company has no material assets and liabilities as at the date of this announcement. As at the date of this announcement, the Target Company has not generated any revenue and profit since its incorporation. The Target Company has no any other business activities since its incorporation.

## **REASONS FOR AND BENEFITS OF THE 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 Sale and Purchase Agreement with Vendor with a view to maximize return to the Company and its shareholders in the long run. The Company believes that the Acquisition, when materialized, will strengthen the positive cash flow and earnings for the Group in the long run.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, 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 the Consideration Shares (assuming no further Shares will be issued or repurchased before the allotment and issuance of the Consideration Shares:

	<b>(i) As at the date of this announcement</b>		<b>(ii) Immediately upon Completion and issue of Consideration Shares</b>	
	<i>Number of Shares</i>	<i>Approx.%</i>	<i>Number of Shares</i>	<i>Approx.%</i>
Public Shareholders	2,564,103,196	86.77%	2,564,103,196	81.51%
Atlantis Capital Holdings Limited	391,000,000	13.23%	391,000,000	12.43%
Vendor	—	—	190,476,190	6.06%
Total	<u>2,955,103,196</u>	<u>100.00%</u>	<u>3,145,579,386</u>	<u>100.00%</u>

## IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but exempted from Shareholders' approval under Chapter 19 of the GEM Listing Rules

As the preliminary valuation of the Target Company has adopted income approach using discounted cash flow method, further announcement will be made by the Company in compliance with Rules 19.60A and 19.62 of the Listing Rules within 15 business days after the publication of this announcement.

## WARNING

**Shareholders and potential investors should note that Completion is subject to various conditions as stated in the section headed "Conditions precedent" in this announcement. Shareholders and potential investors are therefore urged to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company under the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
“Consideration Share(s)”	190,476,190 new Shares to be allotted and issued by the Company to the Vendor or its nominees at the Issue Price upon Completion of the Acquisition in partial settlement of the consideration
“Company”	China E-learning Group Limited, a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the GEM (Stock Code: 8055)
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion occurs
“Consideration”	the aggregate consideration payable in respect of the Acquisition pursuant to the Sale and Purchase Agreement
“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 Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People Republic of China



“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) are third parties independent of the Group and its connected persons in accordance with the GEM Listing Rules
“Issue Price”	an issue price of HK\$0.21 per Consideration Share
“Last Trading Day”	30 Aug 2016, being the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Day”	20 September 2016
“Purchaser”	Million Forever Limited, a wholly-owned subsidiary of the Company and is the Purchaser
“Sale Shares”	45% issued share capital of the Target Company as at the date of this announcement and at Completion Date
“Sale and Purchase Agreement”	the agreement dated 30 August 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.1 each of the Company
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Business Harbour Inc., company incorporated in the British Virgin Islands on 30 March 2016 and registered office addressed 263 Main Street, Road Town, Tortola, British Virgin Islands with limited liability and is owned by the Vendor.
“Target Group”	together with the Target Company and its subsidiaries

“Vendor” Happy Leisure Corp, who owns 100% issued shares of the Target Company as at the date of this announcement

“%” per cent

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

Hong Kong, 30 August 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 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.*