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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

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

MEMORANDUM OF COOPERATION

The Company is pleased to announce that on 30 August 2016 (after trading hours), the Company entered into the Memorandum of Cooperation with Mr. Lin and Mr. Tse, the holders of 100% equity interest in the Target Company, in relation to the possible transfer of 100% equity interest in the Target Company to the Company and other cooperation projects.

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 the Target Company in the future. The Possible Transfer 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 has been entered into, the Possible Transfer 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 30 August 2016 (after trading hours), China E-Learning Group Limited (the “**Company**”) entered into a Memorandum of Cooperation (the “**Memorandum of Cooperation**”) with Mr. Lin Ruiping (“**Mr. Lin**”), being holder of Legend Japanese Food Limited (嶺進日本食品有限公司) (the “**Target Company**”) as to 95%, and Mr. Tse Yueksi (“**Mr. Tse**”), being holder of the Target Company as to 5% (collectively, the “**Vendors**”, who hold in aggregate 100% equity interest in the Target Company), in relation to the possible transfer of 100% equity interest in the Target Company to the Company and other cooperation projects (the “**Cooperation**”).

The Target Company is a limited company incorporated in Hong Kong. It is principally engaged in the business of food processing and sale. As at the date of signing of the Memorandum of Cooperation, the Vendors own 100% equity interest in the Target Company.

To the best of the knowledge, information and belief of the board of directors of the Company after having made all reasonable enquiries, each of the Vendors 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 the Vendors 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) the Vendors shall transfer 100% equity interest in the Target Company to the Company (the “**Possible Transfer**”); (2) the Vendors shall transfer for value a property of the Target Company to the Company; (3) the Parties agreed to adjust or expand the business operation of the Target Company and will conduct comprehensive cooperation in the processing and sale of food.

Consideration

The consideration for the Possible Transfer (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 the Target Company 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 convertible notes, and the price for issuing such Shares and the conversion price of such convertible notes shall not exceed HK\$0.22 per Share.

Profit Assurance

The Vendors will provide certain assurance to the Company in respect of the profit to be generated by the Target Company, 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 the Target Company 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, the Vendors shall continue to have the rights to negotiate, enter into any agreement or confirm any arrangements with any third party in relation to the Target Company in respect of the Cooperation.

The Vendors, however, agree 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 the Vendors.

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.

Warning

The Memorandum of Cooperation, save for the provision in relation to the payment of consideration, does not constitute any legally-binding obligation of any party, and may or may not lead to the signing of the Formal Agreement by the parties.

REASONS FOR THE POSSIBLE TRANSFER

The reasons for the Possible Transfer is for the Company to develop the food processing and sale market. The Company has decided to enter into the Memorandum of Cooperation with the Vendors with a view to maximizing return to the Company and its shareholders in the long run. The Company believes that the Possible Transfer, when materialized, will strengthen the positive cash flow and earnings for the Group in the long run.

GEM LISTING RULES IMPLICATIONS

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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 the Target Company in the future. The Possible Transfer 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 has been entered into, the Possible Transfer 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.

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.

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.