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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)

PROFIT FORECAST IN RELATION TO DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 30 August 2016 (the “**Announcement**”) relating to the acquisition of 45% equity interest in Business Harbour Inc. Unless otherwise stated, terms defined in the Announcement have the same meanings when used in this announcement.

Access Partner Consultancy & Appraisals Limited (the “**Valuer**”), an independent third party valuer, had been engaged by the Purchaser to perform a valuation of the entire equity interest of the Target Company as of 24 August 2016 (the “**Date of Valuation**”). The valuation of the Target Company is prepared using discounted cash flow method under the income approach. The formal valuation report prepared by the Valuer (the “**Valuation Report**”) was issued on 25 August 2016 and the value of the Target Company, as at 24 August 2016, was determined by the Valuer as HK\$150,000,000.

The Valuation Report constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules. This announcement is made pursuant to the requirements under Rules 19.60A and 19.62 of the GEM Listing Rules in relation to the profit forecast.

Assumptions of valuation

As required under Rule 19.62(1) of the GEM Listing Rules, the principal assumptions adopted in the Valuation Report are as follows:

1. General Market Assumptions

- 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;
- There will be no major changes in the relevant 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;
- 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;
- The supply and demand, both domestically and internationally, of the services (i.e. course and exchange program) of the Target Company or similar services will not differ materially from those of present or expected;
- The market prices (i.e. course and exchange program fee), number of students and the relevant costs, both domestically and internationally, of the services (i.e. course and exchange program) of the Target Company or similar services will not differ materially from those of present or expected;
- The services (i.e. course and exchange program) of the Target Company or similar services are marketable and liquid, that there are active markets for the exchange of the services (i.e. course and exchange program) of the Target Company or similar services; and
- The market data, industrial information and statistical figures obtained from Bloomberg Terminal and other publicly available sources are true and accurate.

2. Company-specific Assumptions

- 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;
- 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;
- The information provided with regard to the Target Company's financial and business affairs are accurate and reliable;
- The financial projection in respect of the Target Company have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the management and will be materialized as schedule;
- The Target Company currently has, or will have, adequate human capital and capacity required for the provision of the services (i.e. course and exchange program) 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;
- 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;
- 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;
- 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;
- 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;

- The senior management of the Target Company has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Company;
- 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;
- The online education, courses production under existing plans or contracts will be completed as schedule and it will not arise any legal or financial issue that will affect the operation of the Target Company;
- The production of the online courses will be outsourced, and the terms for the production of the on-line courses under new contracts will not differ materially from those of present or expected;
- The policy on tax rate applicable to the Target Company will not materially change;
- The Target Company has no material asset and liability as of the Date of Valuation;

Confirmations

A letter from McMillan Woods SG CPA Limited (“**McMillan Woods**”), the Company’s reporting accountants, dated 21 September 2016 in compliance with Rule 19.62(2) of the GEM Listing Rules and a letter from the Board dated 21 September 2016 in compliance with Rule 19.62(3) of the GEM Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

Experts and Consents

The qualifications of the experts who have given their statements in this announcement are as follows:

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

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Valuer and McMillan Woods is an Independent Third Party. As at the date of this announcement, neither the Valuer nor McMillan Woods has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Valuer and McMillan Woods has given and has not withdrawn its written consent to the issue of this announcement with inclusion of its letter and/or all references to its name (including its qualification) in the form and context in which they are included.

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

Hong Kong, 21 September 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 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 REPORTING ACCOUNTANTS

21 September 2016

The Board of Directors
China E-Learning Group Limited
Unit 2610, 26/F, Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,

Comfort Letter on Calculations of the Discounted Future Estimated Cash Flows in connection with the Business Valuation of Equity Interest in Business Harbour Inc.

We have checked the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the business valuation prepared by Access Partner Consultancy & Appraisals Limited dated 20 September 2016, in respect of the 100% of the issued share capital of Business Harbour Inc. (the “Target Company”) as at 24 August 2016 (the “Valuation”) is based. The Valuation based on discounted future estimated cash flows is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and will be included in the announcement dated 21 September 2016 (the “Announcement”) issued by China E-Learning Group Limited (the “Company”) in connection with the proposed acquisition of 45% of the issued share capital of the Target Company.

Directors’ responsibility for the discounted future estimated cash flows

The directors of the Company (the “Directors”) are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the “Assumptions”). This responsibility includes carrying appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants’ 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.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA 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' responsibility

It is our responsibility to draw a conclusion, based on our work on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to present our conclusion solely to you, as a body, for the purpose of the requirement under Rule 19.62(2) of the GEM Listing Rules and for no other purpose. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation are based and our work does not constitute any valuation of the Target Company. The Valuation does not involve the adoption of accounting policies. The Assumptions used in the preparation of the Valuation include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. We have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. Our work is more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We also accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

Basis of conclusion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the HKICPA. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based which is prepared based on the Assumptions made by the Directors. Our work has been undertaken solely to assist the Directors in evaluating whether the discounted future estimated cash flows on which the Valuation is based, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Company.

Conclusion

Based on the foregoing, nothing has come to our attention that causes us to believe that the discounted future estimated cash flows, so far as the calculations are concerned, have not been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,
McMillan Woods SG CPA Limited
Certified Public Accountants
Hong Kong

APPENDIX II – LETTER FROM BOARD OF DIRECTORS

21 September 2016

The Listing Division
The Stock Exchange of Hong Kong Limited
11/F, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sirs,

Re: Discloseable Transaction – Valuation of 100% equity interest of Business Harbour Inc. (the “Target Company”) in relation to the acquisition of 45% equity interest in the Target Company

We refer to the discounted cash flow forecasts underlying the business valuation (the “Valuation”) report dated 25 August 2016 prepared by Access Partner Consultancy & Appraisals Limited (the “Valuer”) in relation to the appraisal of the valuation of the entire equity interests in the Target Company as at 24 August 2016. The Valuation is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The Valuation is contained in the announcement of the Company dated 21 September 2016 (the “Announcement”), of which this report forms part. Capitalised terms used in this letter have the same meanings as defined in the Announcement unless the context otherwise requires.

We have reviewed the bases and assumptions based upon which the Valuation is prepared by the Valuer, for which valuations the Valuer is solely responsible. We have also considered the letter from McMillan Woods SG CPA Limited dated 21 September 2016 in relation to the acquisition of 45% equity interest in the Target Company by the Company, confirming that, so far as the arithmetical accuracy of the calculations of the discounted future cash flows on which the valuation is based and concerned, the discounted future cash flows have been properly compiled, in all material respects, in accordance with the respective bases and assumptions. On the basis of the foregoing, we are of the opinion that the profit forecast in the Valuation has been made after due and careful enquiry.

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