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HONG KONG LIFE GROUP HOLDINGS LIMITED

香港生命集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8212)

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 49% OF THE TOTAL ISSUED SHARE CAPITAL OF BARON'S SCHOOL OF MUSIC LIMITED

THE ACQUISITION

The Board is pleased to announce that on 28 February 2012 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor 49% of the total issued share capital of the Target Company at the Consideration of HK\$47.04 million, which is to be satisfied as to HK\$2.04 million in cash and the remaining HK\$45 million by the issue of the Promissory Note by the Company (subject to adjustment) at Closing.

Closing is subject to fulfillment or waiver of certain conditions precedent as set out in the section headed "Conditions Precedent" below.

GEM LISTING RULES' IMPLICATION

As the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 19.06 of the GEM Listing Rules, which is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

GENERAL

A circular containing, among other things, details of the Acquisition and a notice to convene the EGM will be despatched to the Shareholders on or before 27 March 2012 so as to allow sufficient time for inclusion of all relevant information in the circular.

INTRODUCTION

The Board is pleased to announce that on 28 February 2012(after trading hours), the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor 49% of the total issued share capital of the Target Company at the Consideration of HK\$47.04 million. A summary of the principal terms of the Agreement are set out below:

THE AGREEMENT

Date: 28 February 2012

Vendor: the Vendor

Purchaser: the Purchaser

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties. Further particulars of the Target Company are set out in the paragraph headed "Information of the Target Company" below.

Assets to be acquired

The Sale Shares, representing 49% of the total issued share capital of the Target Company.

Consideration

The Consideration for the Sale Shares is HK\$47.04 million, which shall be satisfied by the Purchaser in the following manner:

- (a) as to HK\$2.04 million in cash being refundable deposit to be paid upon signing of the Agreement; and
- (b) the remaining balance of the Consideration in the sum of HK\$45 million to be satisfied by the issue of the Promissory Note by the Company to the Vendor at Closing.

The Consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiations between the Company and the Vendor. The Board has made reference to the preliminary valuation on the Target Company prepared by an independent professional valuer, according to which the market value of the Target

Company was HK\$96 million as at 31 December 2011. Details of the valuation report will be set out in the circular to be despatched to the Shareholders. In view of the Consideration for the Acquisition being arrived on the basis of the said valuation, the Directors consider the terms (including the Consideration for the Acquisition) for the Acquisition is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Closing is subject to fulfilment of the following conditions precedent:

- (a) the Shareholders Agreement being duly executed by all Relevant Parties;
- (b) the warranties and representations made by the Vendor in the Agreement shall be true and correct in all material respects;
- (c) due diligence (including legal, finance and business) on the Target Company and its subsidiaries (if any), including without limitation, its state of affairs, assets and liabilities, financial position and business operation having been completed to the full satisfaction of the Purchaser; and
- (d) all necessary waiver, consent and approvals required to be obtained on the part of the Vendor, the Purchaser and Company in respect of the Agreement and the transactions contemplated thereby having been obtained;
- (e) the passing of a resolution by the Shareholders at the EGM to approve the Agreement and the transactions contemplated thereunder as required by GEM Listing Rules.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions (a), (b), (c) and (d).

In the event the conditions precedent are not fulfilled before 5 p.m. on the Long Stop Date and the Purchaser has not waived any of the non-fulfilled conditions precedent in writing or the Vendor and the Purchaser have not reached any agreement in writing to extend the Long Stop Date, then the Vendor shall within 5 Business Date after the Long Stop Date return the Deposit to the Purchaser without any interest and upon the Vendor fully refunded the Deposit to the Purchaser the Agreement shall be terminated and the Vendor and the Purchaser shall have no further obligations under the Agreement save as to any rights on any antecedent breach of the Agreement.

Closing

Closing will take place on the Closing Date within 5 Business Days after all the conditions precedent of the Agreement have been fulfilled or waived (as the case may be) or such other date as the Vendor and the Purchaser may agree in writing.

Principal term of the Promissory Note

The Company shall issue at Closing the Promissory Note in part payment of the Consideration which will be subject to the following principal terms:

Principal amount

HK\$45,000,000

Maturity

On the date falling on the expiry of 2 calendar years from the date of issue of the Promissory Note

Interest

The Promissory Note shall bear interest at the rate of 6% per annum on the outstanding principal payable quarterly in arrears.

Redemption

The Company may redeem the Promissory Note in whole or any part of it (in amounts of not less than HK\$1,000,000 or such other amount as agreed between the Company and holders of the Promissory Note) at any time after the date of issue of the Promissory Note up to the date immediately prior to the date of maturity.

Events of default

If any of the events (“**Events of Default**”) specified below occurs, the holder of Promissory Note may send a written notice to the Company request the Company to pay to the holder of Promissory Note within 14 business days the principal sum and any interest accrued thereon in full in cash. The relevant events of default are:

- (a) Any resolution relating to the winding-up or liquidation of the Company or the Company’s disposal of all (or nearly all) of its assets is passed or any order relating to the same is issued by a competent court, unless the foregoing winding-up, liquidation or disposal and allocation is due to or related to any merger, takeover, consolidation or reorganization carried out soon thereafter;
- (b) The chargee of any encumbrance obtains the right of possession of, or the liquidation administrator takes over, all or any significant part of the Company’s assets or business;
- (c) Any significant part of the Company’s property is detained, forfeited or imposed with a closure order, executed and the same is not renounced within 30 Business Days;

- (d) The listing of the Company's shares on the Stock Exchange have been suspended for more than 30 consecutive trading days, unless such suspension occurs for the clearance of announcement or circular by the Company with the Stock Exchange, or the listing status of the Company's shares on the Stock Exchange is withdrawn or revoked;
- (e) Except for any shares that may be issued pursuant to any convertible securities of the Company that are presently outstanding, any issue of new shares by the Company without obtaining the prior written consent of the holder of Holder of Promissory Note (if any) holding an outstanding amount of not less than HK\$130,000,000.

Transferability

The Promissory Note is freely transferable and assignable by its holders by way of deed to any party other than a connected person (as defined in the GEM Listing Rules) subject to prior notification to the Company.

Principal terms of the Shareholders' Agreement

It is a condition precedent of the Agreement that the Relevant Parties shall enter into the Shareholders' Agreement to govern the shareholdings and management of the Target Company and its relationship with each of the shareholders of the Target Company. The major terms of the Shareholders' Agreement are as follows:–

Commencement

The Shareholders' Agreement shall take effect simultaneously at Closing.

Composition of the board of the Target Company

The board of the Target Company shall comprise of four directors, of who two shall be appointed by the Purchaser, one shall be appointed by the Vendor and one shall be appointed by United Value.

Chairman

Ronald Ng as director appointed by United Value shall during the term of the Shareholders' Agreement act as chairman of the board of the Target Company and be responsible for the overall business strategy and management of the Target Company to the benefit of all shareholders of the Target Company as a whole.

Quorum for meetings

The quorum for a meeting of the Board shall be four directors present in person or by their alternates for the time being, two of which shall be the directors nominated by the Purchaser, one of which shall be the director nominated by the Vendor and one of which shall be the director nominated by United Value.

All questions or any other matters arising in any meeting of the board of the Target Company shall be decided by majority votes of the directors present save for the following matters which will require unanimous consent from the shareholders of the Target Company:–

- (a) the alteration of the memorandum or articles of association of the Target Company and the passing of any resolutions inconsistent with the provision of the Shareholders' Agreement;
- (b) the borrowing of any moneys from banks, financial institutions or any other persons (save pursuant to the provisions contained in this Agreement) or the creation of any contract or obligation to pay money or money's worth; and
- (c) the issue or the allotment of shares of the Target Company to any person including the shareholders or their associates of the Target Company; and
- (d) changing the businesses carried out by the Target Company.

Restriction on disposal and charging of shares of the Target Company

None of the shareholders of the Target Company shall create or permit to subsist any encumbrance over all or any of its shares in the Target Company.

Neither the Vendor nor United Value shall dispose of or permit or suffer a transfer of the whole or any part of its shares in the Target Company without the prior written permission from the Purchaser and provided always the transferee of any permitted transfer shall enter into a deed of adherence to become bound by the Shareholders' Agreement.

Termination of the Shareholders' Agreement

The Shareholders' Agreement shall continue in full force and effect until the Target Company shall be wound up or cease to exist.

The Shareholders' Agreement shall be terminated by the written agreement of all the shareholders of the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability principally engaged in providing high quality programmes and courses in both classical and contemporary music and is currently 75.5% owned by the Vendor and 24.5% owned by United Value.

According to the audited accounts of the Target Company prepared under Hong Kong Financial Reporting Standards, the audited financial information for the Target Company for the two years ended 31 December 2010 and 31 December 2011 are as follows:

| | Year ended 31 December 2011 <i>HK\$'000</i> | Year ended 31 December 2010 <i>HK\$'000</i> |
|------------------------|---|---|
| Turnover | 8,995 | 10,422 |
| Profit before taxation | 403 | 5,376 |
| Taxation | – | – |
| Profit after taxation | 403 | 5,376 |

REASON FOR THE PROPOSED ACQUISITION

The Group is principally engaged in trading of edible oil and mineral materials, provision of shrine for memorial ancestor and paper-offering businesses.

It is the corporate strategy of the Group to strengthen its existing businesses and at the same time identify and capitalizing new opportunities to achieve financial growth for the Group and to maximize Shareholders' value. To this end, the Directors consider the Acquisition as an opportunity for the Group to further expand its business in the sector of professional music education.

After Closing, the Company's interest in the Target Company will be accounted for as an associate of the Company by using the equity method of accounting. The results of the Target Company will not be consolidated into the consolidated financial statements of the Company.

GEM LISTING RULES IMPLICATION

As the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 19.06 of the GEM Listing Rules, which is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholders has an interest in the Agreement which is material different from other Shareholders. Therefore no Shareholder is required to abstain from voting on the resolution to be proposed in the EGM.

GENERAL

A circular containing, among other things, details of the Acquisition and a notice to convene the EGM will be despatched to the Shareholders on or before 27 March 2012 so as to allow sufficient time for inclusion of all relevant information in the circular.

DEFINITIONS

In this announcement, unless the context does not permit or otherwise requires, the following terms shall have the following meanings:

| | |
|-----------------------|--|
| “Acquisition” | the acquisition of the Sale Shares pursuant to the Agreement |
| “Agreement” | the agreement dated 28 February 2012 made between the Vendor and the Purchaser in relation to the Acquisition |
| “associates” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day (other than a Saturday, Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “Closing” | completion of the sale and purchase of the Sale Shares in accordance with the Agreement |
| “Closing Date” | the date Closing shall take place falling within 5 Business Days after all the conditions precedent of the Agreement have been fulfilled or waived (as the case may be) or such other date as the Vendor and the Purchaser may agree in writing) |
| “Company” | Hong Kong Life Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM |
| “connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Consideration” | consideration payable for the Acquisition |
| “Deposit” | a sum of HK\$2.04 million payable by the Company to the Vendor or its nominee on signing of the Agreement |

| | |
|--------------------------------|---|
| “Director(s)” | directors of the Company |
| ”EGM” | the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder |
| “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 dollars, the lawful currency of Hong Kong |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons (as defined under the GEM Listing Rules) |
| “Long Stop Date” | 27 April 2012 or such other date as may be agreed by the Purchaser and the Vendor |
| “PRC” | The People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Purchaser” | Superb Luck Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company |
| “Promissory Note” | a promissory note in the principal amount of HK\$45 million with interest at 6% per annum due on the day following the expiry of 2 years after the Closing Date to be issued by the Company to the Vendor at Closing for the purpose of settlement of part of the Consideration |
| “Relevant Parties” | the Target Company, the Vendor, United Value, the Purchaser and Ronald Ng |

| | |
|---------------------------|--|
| “Ronald Ng” | Ng Lok Shing Ronald the sole director and shareholder of United Value |
| “Sale Shares” | 490 ordinary shares of HK\$1.00 in the issued share capital of the Target Company, representing 49% of the entire issued share capital of the Target Company |
| “Share(s)” | ordinary share(s) of HK\$0.0001 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Shareholders’ Agreement” | a conditional shareholders’ agreement to be entered by the Relevant Parties in relation to the affairs, business and management of the Target Company to be taken effect simultaneously at Closing |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Baron’s School of Music Limited, a company incorporated in Hong Kong |
| “United Value” | United Value Holdings Limited, a company incorporated in the British Virgin Islands |
| “Vendor” | Beyond Asia International Limited, a company incorporated in the British Virgin Islands |
| “%” | per cent. |

By the order of the Board
Hong Kong Life Group Holdings Limited
香港生命集團控股有限公司
Lam Wai Pong
Chairman & Executive Director

Hong Kong, 28 February 2012

As at the date of this announcement, the directors of the Company (“Directors”) are:

Executive Directors

Mr. Lam Wai Pong
Mr. Lau Chi Kwong
Ms. Leung Wai Kuen, Cerene
Mr. Zhang Yan

Independent Non-executive Directors

Ms. Chan Wan Yee
Mr. Siu Kwok Chung
Mr. Sit Bun

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 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 <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at www.hk-lifegroup.com.