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China AU Group Holdings Limited

中國金豐集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

(I) RESIGNATION OF DIRECTOR AND CHIEF EXECUTIVE OFFICER; (II) CHANGE OF AUDITORS; AND (III) FORMATION OF THE SPECIAL INVESTIGATION COMMITTEE

RESIGNATION OF DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Board announces that (i) Ms. Chan has resigned as an executive Director; and (ii) Ms. Keung has resigned as the chief executive officer of the Company. All of these resignations took effect on 7 March 2012.

CHANGE OF AUDITORS

The Board announces that HLM has resigned as auditors of the Group with effect from 7 March 2012.

The Board further announces that HLB has been appointed as auditors of the Group with effect from 7 March 2012 to fill the casual vacancy following the resignation of HLM and to hold office until the conclusion of the next annual general meeting of the Company.

FORMATION OF THE SPECIAL INVESTIGATION COMMITTEE

The Board has resolved on the date of this announcement to establish the Special Investigation Committee, comprising Mr. Yu Shu Kuen, executive Director, Mr. Tam B Ray, Billy and Mr. Chu Kin Wang, Peleus, both are independent non-executive Directors, for the purpose of, inter alia, (i) investigating the issues raised by HLM in their resignation letter; (ii) reviewing the internal control procedures and corporate governance policies of the Group; and (iii) making recommendation to the Board on appropriate actions to be taken.

* *For identification purpose only*

RESIGNATION OF DIRECTOR AND CHIEF EXECUTIVE OFFICER

The board (the “**Board**”) of directors (the “**Directors**”) of China AU Group Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) announces that (i) Ms. Chan Choi Har, Ivy (“**Ms. Chan**”) has resigned as an executive Director due to other business commitments which require more of her dedication; and (ii) Ms. Keung Wai Fun, Samantha (“**Ms. Keung**”) has resigned as the chief executive officer of the Company due to other business commitments which require more of her dedication. All of these resignations took effect on 7 March 2012.

Each of Ms. Chan and Ms. Keung has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company (the “**Shareholders**”).

CHANGE OF AUDITORS

Resignation of auditors

The Board announces that HLM & Co. (“**HLM**”) has resigned as auditors of the Group (the “**Resignation**”) with effect from 7 March 2012.

The following paragraphs are extracted from the letter of resignation issued by HLM to the Board on 7 March 2012 setting out the reasons for the Resignation and matters to be brought to the attention of the Shareholders:

“Reasons for resignation

During the course of our audit, we have not been able to receive sufficient and appropriate audit evidence that we considered necessary for us to complete our audit and form an opinion. In view that the management of the Group had not been able to provide us with satisfactory explanations to certain issues noted during the audit, it has greatly elevated the level of professional risk associated with the audit.

Matters to be brought to the attention of the Shareholders

1. It came to our notice that a director of three subsidiaries of the Group is a supervisory board member of a major customer of the Group. The transactions between the Group and the customer were of a substantial amount and they had a material impact on the turnover of the Group for the year ended 30 June 2011. We believe such transactions should have been disclosed as “Related Parties Transactions” in accordance with Financial Reporting Standards HKAS24. We have not been able to come to a consensus agreement with the management in relation to the disclosure of such transactions.

2. After the year end date, certain amount of accounts receivables was reported to have been settled. However, a substantial portion of the money received was then paid out immediately to several entities (“**Entities**”) for a purported project which the management had not been able to provide us with adequate satisfactory explanations. In addition, the former non-executive director/chairman of the Company is also the director/shareholder of those Entities just prior to the payments. Despite we have not been able to satisfy ourselves as to the validity of these transactions, we also believe that these transactions should be considered as material related party transactions.
3. There were also certain occasions that there was a breakdown in audit trail of the documentations for, including but not limited to, account receivables, deposit paid, loan receivable, prepayment and inventory.”

Appointment of new auditors

The Board further announces that HLB Hodgson Impey Cheng (“**HLB**”) has been appointed as auditors of the Group with effect from 7 March 2012 to fill the casual vacancy following the resignation of HLM and to hold office until the conclusion of the next annual general meeting of the Company.

FORMATION OF THE SPECIAL INVESTIGATION COMMITTEE

The Board has resolved on the date of this announcement to establish a special investigation committee (the “**Special Investigation Committee**”), comprising Mr. Yu Shu Kuen, executive Director, Mr. Tam B Ray, Billy and Mr. Chu Kin Wang, Peleus, both are independent non-executive Directors, for the purpose of, inter alia, (i) investigating the issues raised by HLM in their resignation letter; (ii) reviewing the internal control procedures and corporate governance policies of the Group; and (iii) making recommendation to the Board on appropriate actions to be taken.

The Special Investigation Committee is authorized to appoint independent professional advisers (including but not limited to accountants and legal advisers) to assist in the investigation of the issues raised by HLM in their resignation letter and to review the internal control procedures and corporate governance policies of the Group.

By order of the Board
China AU Group Holdings Limited
Lee Chan Wah
Company Secretary

Hong Kong, 7 March 2012

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Shu Kuen, Mr. Wang Xiao Fei (with Mr. Lee Chan Wah as alternate), Mr. Wang Shang Zhong and Mr. Ji He Qun; one non-executive Director, namely Mr. Du Juan Hong; and four independent non-executive Directors, namely Mr. Leung Yiu Cho, Mr. Cheng Hai, Mr. Tam B Ray, Billy and Mr. Chu Kin Wang, Peleus.

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 (the “GEM”) 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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.bluspa.com.